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Voluntary funds administered by the United Nations High Commissioner for Refugees

Financial report and audited financial statements

for the year ended 31 December 2015

Report of the Board of Auditors

United Nations • New York, 2016

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 31 March 2016 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

Pursuant to the financial rules for voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (A/AC.96/503/Rev.10), we have the honour to submit the financial statements for the year ended 31 December 2015, certified and approved in accordance with article 11.3 of those rules.

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2015:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.

2. The financial statements have been prepared and presented in accordance with:

(a) The International Public Sector Accounting Standards;

(b) The Financial Regulations of the United Nations;

(c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;

(d) The accounting policies of the organization, as summarized in note 2 to the financial statements.

3. The property, plant and equipment, the intangible assets and the inventories disclosed in notes 3.5, 3.6 and 3.3 to the financial statements, respectively, are owned by the organization and are free from any charge.

4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.

5. All material accounts receivable have been included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable

amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable at 31 December 2015 to be collected.

6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2015, have been disclosed in note 9.2 to the financial statements. Commitments for future expenses have not been recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2015 have been disclosed in note 9.3 to the financial statements.

9. All expenses reported during the period were incurred in accordance with the financial rules of the organization and any specific donor requirements.

10. All losses of cash or receivables, ex gratia payments, presumptive frauds and frauds, wherever incurred, were communicated to the Board of Auditors.

11. Disclosure was made, in the financial statements, of all matters necessary to enable them to present fairly the results of transactions during the period.

12. There have been no events since the UNHCR reporting date of 31 December 2015 that necessitate revision of the information presented in the financial statements thereto.

(*Signed*) Linda **Ryan**
Controller and Director
Division of Financial and Administrative Management

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

Letter dated 30 June 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position as at 31 December 2015 (statement I) and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts for the year then ended (statement V) and the notes to the financial statements.

Responsibility of management for the financial statements

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as is deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the voluntary funds administered by the United Nations High Commissioner for Refugees that have come to our notice or which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the voluntary funds administered by the United Nations High Commissioner for Refugees.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2016

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

1. The Board of Auditors has audited the financial statements and reviewed the operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2015. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

2. UNHCR continues to enjoy strong support from the donor community; overall, the level of contributions has continued to grow as the number of beneficiaries has increased. A significant amount of the resources received continues to be earmarked for specific situations, restricting the extent to which resources can be deployed flexibly across the various situations or to meet the needs for more durable solutions. This requires a focus on the processes that support the allocation and prioritization of resources, and on the efficiency of the use of those resources.

3. Budget processes are complex and resource-intensive, and they often result in only limited changes. There is no systematic approach to efficiencies, particularly in respect of implementing partners. More can be made of the data that UNHCR collects to make it more efficient. UNHCR needs to place more emphasis on the delivery of sustainable solutions, which in turn will drive the more effective use of resources.

4. In a number of areas, the Board has identified the commitment of UNHCR to improving systems and to innovating in the way it delivers its programmes. However, UNHCR does not always clearly set out its success criteria or formally evaluate projects upon their completion. These processes are important to inform future projects and to demonstrate the value and benefits of the investments it makes.

Key findings

Financial position

5. UNHCR continues to enjoy very high levels of support from its donors, and its overall financial health remains sound. In terms of the key indicators of financial health and liquidity, there has been significant improvement compared with the prior year. However, some of this arises from the receipt of voluntary contributions late in the financial year and a slowdown in expenditure in early 2015 as a result of the impact of significant currency fluctuations on the revenue pledged for 2015. UNHCR continues to be constrained in the use of these resources, high levels of contributions (85 per cent of 2015 contributions) are earmarked by donors for specific purposes, and unrestricted funds represented only 15 per cent of 2015 contributions. These factors demonstrate the continued importance of high-quality information to support

decision-making and the prioritization of resources. Resource prioritization is particularly important in the light of the $3.5 billion gap between assessed global needs and the resources available to UNHCR, as well as the increasing demand pressures faced by the Office.

6. In its 2015 report (A/70/5/Add.6), the Board highlighted the risk that suboptimal decisions could be taken as a result of unpredictable inflows of contributions and how this could compromise value for money. Improved financial monitoring in country offices, particularly in programme areas, could support the redeployment of resources and better engage staff with respect to financial issues. This would involve greater coordination between country office finance and programme teams and the development of more regular reporting tools and analysis. The process of financial reporting in country offices does not have a sufficiently high profile, and there is a need for greater engagement to identify opportunities for reallocation or to give earlier warnings to implementing partners of the potential for programme changes. Improvements would also enhance the assurance that a country representative could obtain from the management of resources at the country office level, thereby improving assurance processes in terms of overall financial management and control.

Cash assistance and global fleet management programmes

7. Levels of cash-based assistance continue to increase. The Board reviewed the roll-out of iris-scanning technology in Jordan and cash assistance in the Sudan, and how these were being used to support and deliver assistance to beneficiaries in a challenging environment. While there were clearly benefits such as enhancing controls to reduce fraud risks, there has been no formal evaluation. Similarly, there remains the need for a formal evaluation of the value for money achieved from the implementation of global fleet management, the roll-out of which began in 2014. The Board takes note of the INSEAD Business School report, which showed the delivery of initial benefits of global fleet management, including a smaller and younger fleet of vehicles, but this has not yet demonstrated how global fleet management delivers value for money. UNHCR is an innovative organization that operates in challenging environments, but it does not systematically evaluate the benefits of its new programmes and initiatives. The Board considers these evaluation processes to be important in informing and supporting the refinement of new initiatives as they develop, and providing confidence to donors regarding the efficient use of resources.

Internal control

8. Internal control processes within UNHCR remain sound, with no significant matters coming to the Board's attention during 2015. Financial processes operate well, culminating in high-quality financial reporting in the form of the annual financial statements. While the processes for the external verification of implementing partners' expenses are robust and cover the vast majority of their expenditures, the Board has noted scope for improvement. The Office of Internal Oversight Services (OIOS) has identified significant weaknesses in the arrangements for providing oversight and assurance with respect to partner procurement processes. While actions to address those weaknesses have been agreed upon, the findings support the Board's own analysis that there is a need for country offices to take a more risk-based approach to monitoring implementing partners and improving the risk focus of verification efforts.

9. The Board has noted further progress in the development of processes for assessing and preventing fraud. UNHCR continues to be proactive in raising the profile of fraud risk within its operations, undertaking comprehensive staff training supported by its systematic assessment of fraud risk. This is culminating in the development of a fraud manual and the updating of its fraud policies. UNHCR continues to be an exemplar in the way in which it is dealing with fraud risk. It will be important that this expand to ensure that its implementing partners demonstrate the same level of commitment and that the assurance functions of OIOS and the Inspector General's Office utilize the results in their joint planning processes.

Managing Systems, Resources and People upgrade project

10. UNHCR continues to make progress in its implementation of the Managing Systems, Resources and People (MSRP) upgrade, and the project remains on track to deliver, albeit with a slightly delayed go-live date, commencing at the start of 2017. The delay in the project's go-live date is a conscious and prudent decision aimed at preventing risks to the preparation of the 2016 financial statements and the associated year-end processes. The Board has noted the increase in budget due to the identification of key processes omitted from the initial project specifications. The project has had oversight from the key stakeholders, but the quality of the formal documentation of approvals and the various oversight committees has been variable. As the project progresses, it is important to ensure that any significant changes to the project, budget or risk profiles are formally documented and approved by the relevant committee. UNHCR has a list of performance measures and key benefits against which it will assess the delivery of the upgrade. The Board encourages UNHCR to develop this list of performance measures into a live benefits realization plan to be presented to senior management at regular intervals and to demonstrate progress against these performance targets. Although the process is currently subject to good levels of management oversight, any significant change to critical business systems will remain a key risk.

Enterprise risk management

11. The Board has noted that progress was made in 2015 towards systematic risk management. Risks have now been collated from all its country offices into the corporate risk register. This has been a significant exercise across a large number of locations, providing a wealth of data that can be analysed to identify common risks and themes. In addition, UNHCR has developed a strategic risk register through consultation with the senior management committee and executive management to identify the top 20 risks. However, at present the two registers are not fully integrated, and the Board considers that a closer alignment would provide greater confidence regarding the completeness and integration of the risk processes within UNHCR. As the process matures, it is important that the information become part of the regular decision-making processes.

12. While significant progress has been made, the Board notes that UNHCR can make more of the risk data collected. Risk registers need to be used by country representatives to obtain assurance with respect to the systematic management and control of the risks within their respective areas. This requires the systematic incorporation of risk registers into senior management meetings; the integration of risks into the country office plans; and review of the quality of mitigating actions and the continued validity of risks. Our discussions have highlighted areas of good

practice and the scope for sharing them more widely. Risk registers are not informing management decision-making, nor are they subject to systematic review. More needs to be done to review the quality and robustness of the mitigations identified to manage risks at the country office level, and this can be further improved through the involvement and review of the bureaux and headquarters to support resource prioritization and risk-based monitoring. The Board's observations should serve to inform any future review of risk management procedures.

Accuracy of population data

13. The allocation of UNHCR resources is based primarily on the data that it holds regarding the population of persons of concern, alongside its consideration of future trends and situations. UNHCR faces challenges in estimating/planning figures, which creates complexity in demand forecasting, as population planning figures can only be estimates. The figures used for resource planning can evolve considerably in the course of planning and implementation cycles.

14. UNHCR uses verification exercises to review these estimates, but it does not carry out a reconciliation exercise to compare them with the verified results during the year. Consequently, it does not assess the impact of any differences compared with the population estimates on the resources allocated, except in cases in which additional funding has been requested for an unforeseen situation. This can result in some country operations being given a greater share of resources than they would otherwise have been allocated.

15. UNHCR recommends that country operations undertake verification exercises every two years in camp settings, but there is no central oversight of the frequency and results of such exercises, and there is no official reporting requirement. This restricts the ability of headquarters to obtain assurance as to the accuracy of population data over time. Where verification exercises have been undertaken, it is clear that they have had a beneficial effect on accuracy. For example, in 2015 one country operation's actual population was found to be 23 per cent lower compared with the results of the previous registration exercise.

16. The new biometric identity management system (BIMS) of UNHCR has the potential to address entrenched issues regarding the accuracy of population data, but its impact is not being routinely measured. There is no evidence to suggest any formal benefits realization exercise, routine or otherwise, to quantify the impacts of BIMS, which was rolled out in 2015 with a budget of $4.6 million for 2016.

17. UNHCR has taken some steps to understand the appetite and demand of operations for BIMS. On the basis of budget and available resources, UNHCR is targeting 16 operations for the deployment of BIMS in 2016, which will follow the 11 deployments delivered in 2015. According to the latest planning data for 2015/16, 5 of those deployments will be to countries with no previous biometric system and 11 will replace existing systems. UNHCR forecasts that half of the remaining operations are unlikely to adopt the system in the near future, although future roll-out to those operations is possible.

Resource prioritization

18. UNHCR takes a bottom-up approach to resource allocation. Each year, country operations prepare plans outlining their resourcing requirements. The review of those plans by headquarters is detailed. UNHCR estimates that the Division of Programme Support and Management and the Division of Financial and Administrative Management spent 605 staff days on the review of country plans in 2016, amounting to $694,183.[1] This was additional to the time spent and costs incurred at the country office and bureau levels. However, it can be difficult to see the impact of this activity on the ground, given that there is constant reprioritization throughout the year for some operations. Conversely, for many countries, budgeting requirements do not change from year to year. Between 2014 and 2015, 21 per cent of country operations had less than a 5 per cent variance in their budgets.

19. The Board found that plans were detailed, with lengthy narrative content, and that planned outcomes and results were overly complex. UNHCR has opportunities to refine and simplify country plans. In doing so, it has an opportunity to embed some aspects of headquarters scrutiny at the development phase, rather than when the plans are ultimately submitted to headquarters, which should streamline the effort required and generate efficiency.

20. UNHCR can further embed evaluation into project design and management, to support decision-making. Its recent analysis of livelihood projects has supported more effective prioritization of resources. However, its independent evaluation unit focuses on situations (such as emergency response in the Syrian Arab Republic) rather than on specific programme activity, leaving a gap in terms of the independent evaluation of programme spending.

21. UNHCR reports a 49 per cent shortfall between the resources required to meet needs and the funds available to it. UNHCR considers the needs assessment budget methodology to be its primary means of communicating the comprehensive resource needs for which it requires funding from donors. The Board considers that it is important that UNHCR ensure continued scrutiny to ensure that the budget remains credible throughout the implementation period.[2] The Board notes revisions to guidance in 2016 to focus more on credible assessment of overall needs, and it recognizes the need for this.

22. The Board's analysis of the needs-based budgets in a sample of country plans found discrepancies that warranted further examination. The analysis indicated that between 2012 and 2014, the needs-based budgets of 39 operations had increased at a greater rate than the headcount of the corresponding persons of concern, meaning that needs are considered to be increasing at a greater rate than changes in population figures. For example, the population served by one operation declined by 16 per cent during the period, but the corresponding needs-based budget increased by 40 per cent.

[1] These costs exclude the time spent on review by the thematic teams, the regional bureaux and senior management, as well as the related time spent by country offices on the preparation of plans.

[2] The UNHCR needs-based budget comprises the resources deemed necessary to meet the needs of persons of concern.

Driving efficiency

23. UNHCR recognizes that it needs to find efficiencies. The High Commissioner's message for 2016/17 emphasized the need to improve the effectiveness and efficiency of the structure of UNHCR. The Board saw clear signs that the pace of the restructuring and downsizing of operations is accelerating. While country operations focus on finding efficiencies, the impact of that focus is not being routinely measured.

24. UNHCR reviews changes in programme support costs each year, but it can also challenge those costs and per capita spending. Between 2014 and 2015, programme support costs increased by 23 per cent, whereas programme expenditure decreased by 5 per cent. Between 2012 and 2014, 35 countries increased their per capita costs, with 23 seeing increases of more than 10 per cent. UNHCR headquarters can do more to support country operations in sharing their experiences in successfully reducing programme support costs and per capita costs to deliver efficiency. While UNHCR recognizes the need to better scrutinize some areas of its expenditure in response to previous Board recommendations, the Board noted that it does not routinely examine the drivers of cost to determine whether the programmes in question can be delivered more efficiently

25. The Board looked specifically at the efficiency challenges faced by implementing partners when agreeing on the annual implementing partner funding agreements. The High Commissioner had specifically identified partner efficiency savings in his messages supporting the 2016 budget preparations. Much more can be done to share good practices, to ensure greater and more systematic rigour in partner negotiations, to more actively seek evidence of efficiency and to build this into the final, signed agreements. There may be scope for improving the training given to programme staff to enable them to do this more effectively, and to provide better evidence of the outcomes.

Durable solutions

26. While UNHCR has the long-term aim of delivering durable solutions, its progress in that regard has been limited, owing in part to political and structural factors in many of the environments in which it works, which mitigate against the delivery of those types of solutions. Since 2012, UNHCR budgeted expenditure on durable solutions has declined from 9 per cent to 4 per cent. UNHCR has not monitored its progress in delivering successful durable solutions.

27. UNHCR will soon need to make difficult decisions about how best to increase funding and focus on durable solutions to help prevent the overall situation from becoming untenable. It needs to further emphasize durable solutions from the start and design exit strategies following crises. This will require a more coordinated and effective partnership with development bodies and host Governments.

28. UNHCR has increased its focus on durable solutions. The Office has committed $20 million to fund the "Seeds for Solutions" initiative and to ensure that a dedicated governance structure is in place to oversee the fund. [3] However, UNHCR has found it challenging to isolate the impact of "Seeds" funds from that of other activities. Despite some successes, challenges remain and few operations achieved durable solutions as a result of "Seeds" funding.

[3] "Seeds for Solutions" is a project under way since 2013 with a specific focus on integration.

Key recommendations

29. The Board has made several recommendations based on its audit that are contained in the main body of the present report. The main recommendations are that UNHCR:

(a) **Develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes;**

(b) **Undertake more systematic evaluation of its programmes and new initiatives;**

(c) **Develop the robustness of country office risk registers to yield greater benefits from the risk assessment process and to further develop the integration of the corporate and strategic risk registers;**

(d) **Develop more formalized processes for reviewing, verifying and reporting population data to ensure accuracy in resource prioritization and evaluate the benefits of the new systems being rolled out to enhance data collection;**

(e) **Provide greater challenge with respect to the assumptions used to support the global needs assessment and how the bureaux provide detailed challenge regarding plan submissions;**

(f) **Evaluate the cost benefits of the current annual budget process and consider the extent to which a multi-year approach might be taken; planning processes should be more streamlined, with a more proportionate focus on areas of highest risk, including greater rationalization of the objectives and indicators set out in the plans;**

(g) **Take a more systematic and proactive approach to identifying efficiencies in programme support and implementing partner costs, and better measure the savings made;**

(h) **Create a greater focus on durable solutions in delivery, assessing the risks and opportunities in operations to identify the most effective focus for resources in the annual programme review.**

Previous recommendations

30. At 31 May 2016, of the 34 recommendations made for 2014 and previous years, 6 (18 per cent) had been implemented, 25 (73 per cent) remained under implementation and 3 (9 per cent) had been superseded by events (see table in the annex).

31. The Board notes that of the 25 recommendations under implementation, 19 relate to 2014 and 6 to 2013. The Board continues to note positive progress in implementing outstanding recommendations. In particular, the Board has noted and reports progress in respect of counter-fraud measures and the development of the strategic risk register as recommended in its 2012 report, although it makes a number of further recommendations on those two areas in the present report to further enhance the arrangements in place for addressing fraud and embedding risk management.

32. Two recommendations remain open from 2012 and 2010, relating to the global fleet management project and project tracking, with respect to which progress is continuing and the recommendations are expected to be fully implemented by the end of 2016. The Board welcomes the overall progress made in fully implementing and closing much older recommendations, and many of those under implementation relate to projects and initiatives that are still being rolled out and will not be fully implemented until the end of 2018, such as global fleet management.

A. Mandate, scope and methodology

1. In 2015, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to some 64 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with over 10,000 staff working in 470 offices located in 127 countries. Its mandate incorporates delivering support to long-term and protracted situations as well as responding to humanitarian emergencies. Large-scale displacements of people have continued to increase, especially as a result of conflict in the Syrian Arab Republic and South Sudan. UNHCR is funded almost entirely by voluntary contributions of $3.51 billion from overall total revenues of $3.58 billion. Recognized revenue from donor agreements included $764 million relating to future years. Total expenses were $3.28 billion.

2. The Board of Auditors has audited the financial statements of UNHCR and has reviewed its operations for the financial year ended 31 December 2015 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for the voluntary funds administered by the High Commissioner for Refugees and, where applicable, the Financial Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNHCR as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the High Commissioner for Refugees. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which requires that the Board make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board has commented on the financial position of UNHCR and other financial matters, and reported on the prioritization of resources and the population data supporting this. It has also looked further at the efficiency processes used by UNHCR and the approach to durable solutions, which can drive long-term efficiency.

5. During the course of the audit, the Board visited UNHCR headquarters in Geneva and Budapest and examined field operations in Jordan and the Sudan, teleconferencing and surveying 10 other field locations. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion

of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Financial and governance matters

Key facts	
$7.2 billion	Final budget based on a global needs assessment
$3.6 billion	Revenue reported (including $764 million for future years)
$3.3 billion	Expenses incurred in 2015
64 million	Persons of concern to UNHCR
10,000	UNHCR staff
127	Countries of operation, with 794 offices, including five emergency operations in 2015 (the Central African Republic, Iraq, South Sudan, the Syrian Arab Republic and Yemen)

Financial overview

6. The Board's review of the financial statements confirms that UNHCR finances remain sound and there are sufficient assets to meet liabilities. The analysis of the main financial ratios confirms that, despite continued emergency pressures in 2015, UNHCR remains in a strong financial position, with high levels of liquid assets. Overall net assets increased from $1.12 billion in 2014 to $1.46 billion in 2015, and accumulated fund balances and reserves were $2.01 billion (2014: $1.68 billion) and included cash and investments of $1.09 billion (2014: $799.2 million). Management has provided a detailed and comprehensive overview of the financial position and performance of UNHCR in chapter IV, section C.

7. Overall, the key financial indicators remain robust and UNHCR continues to have a high ratio of current assets to meet its current liabilities. In chapter IV, paragraph 31, of the financial statements, management has indicated that liquidity is positively impacted by the inclusion of $763.8 million in pledges made for future years. The Board's analysis demonstrates that the key financial ratios support UNHCR in meeting all its liabilities, even before taking account of future pledged resources, as demonstrated by the current ratio excluding contributions receivable of 5.7 as shown in table II.1.

8. As a result of donations received at year-end, there has been some improvement in the financial ratios, such as current assets to current liabilities. The surplus for the year of $303.5 million (2014: a deficit of $305 million) was due in large part to the significant increase in contributions received in 2015 of $3.5 billion compared with $2.9 billion in 2014, driven by donor commitment to funding the European migration crisis.

Table II.1
Ratio analysis

Description of ratio	*31 December 2015*	*31 December 2014*	*31 December 2013*	*31 December 2012*	*1 January 2012*
Current ratio[a] (current assets: current liabilities)	8.6	6.9	8.7	9.2	8.7
Excluding future contributions receivable	5.7	4.6	5.1	5.2	5.0
Total assets: total liabilities[b]	2.7	2.3	3.2	2.6	2.7
Cash ratio[c] (cash + investments: current liabilities)	4.6	3.1	3.5	2.9	3.6
Quick ratio[d] (cash + investments + short-term accounts receivable: current liabilities)	7.5	5.7	7.3	8.0	7.7

Source: UNHCR financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds that there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

9. The gap between the global assessed needs of UNHCR of $7.2 billion and the funds available in 2015 of $3.7 billion was $3.5 billion. This represented an increase compared with the equivalent gap of $3.2 billion in 2014. The level of demand for UNHCR interventions further increased with five level 3 emergencies, currency fluctuations and a more challenging donor environment; these will continue to create additional pressures in 2016 and beyond. Although there was a slight increase in the proportion of unrestricted contributions in 2015, there continued to be a high level of earmarked donations for specific situations, creating pressures on management to deploy resources flexibly to meet demand across all areas of activity. Unrestricted funds represented only 15 per cent of monetary contributions in 2015 (see table II.2). The Board notes that UNHCR achieved the highest level of donor pledges as a result of its fundraising and donor conferences in 2016.

Table II.2
Monetary contributions by type of earmarking
(Millions of United States dollars)

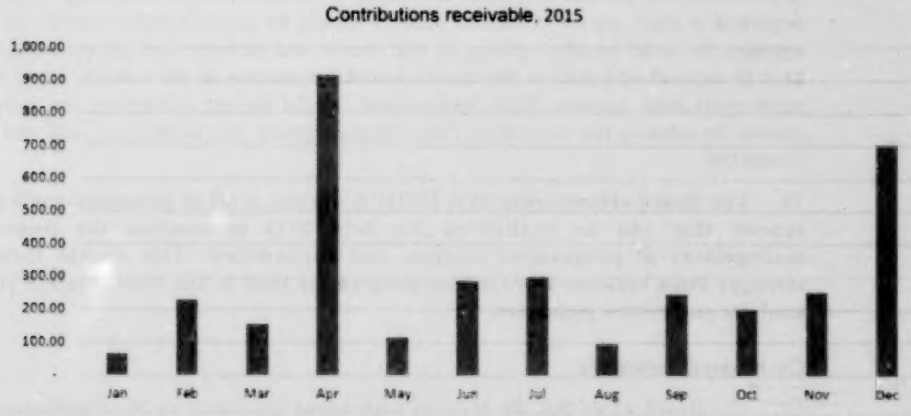
Type of earmarking	*2015*	*2014*	*2013*	*2015 (percentage)*	*2014 (percentage)*	*2013 (percentage)*
Unrestricted	535	387	477	15	13	15
Pending earmarking[a]	201	159	224	6	5	7
Country/sector level	2 017	1 857	1 852	58	63	60
Regional/subregional level	710	512	496	21	17	16
Thematic	23	26	32	1	1	1
Total monetary contributions	**3 487**	**2 942**	**3 082**			

Source: UNHCR financial statements.

[a] Contributions pending earmarking are largely those relating to contributions from pledging conferences relating to future years.

10. The Board continues to note the unpredictable pattern of contributions and pledges received each year, with significant contributions received towards the end of the financial year. This is due to the timing of donor conferences and also reflects the budgetary cycles of many donor Governments. Figure II.I shows the contributions receivable in 2015 and the two significant peaks in the resources receivable from donors. Donor resources need to be allocated across the assessed needs of UNHCR; overallocation to one situation can result in difficulties in funding others. Late inflows make it difficult to implement budgets and to ensure that partner capacity will be sufficient to enable additional resources to be deployed effectively. The Board noted that in 2015 the funding level and forecasts (including the level of earmarking) were provided by the Donor and External Relations Section to the Division of Financial and Administrative Management at least twice a month. This was incorporated into the overall financial overview for review, discussion and decision on overall resource allocation during the Division's meetings with senior management.

Figure II.I
Contributions recognized each month in 2015
(Millions of United States dollars)



Financial management in country offices

11. Sound financial management is an essential component of the framework of internal control, providing assurance as to the use of resources allocated to specific objectives. UNHCR has established financial monitoring processes in respect of administrative budgets and in monitoring assets and liabilities. These include monthly country office financial reports, validating information on a range of financial indicators covering budgets, the cost bases and assets and liabilities. However, the Board has noted that the processes for the formal review of programme budgets and expenditure are less systematic and has identified scope for improvement.

12. As with the Division of Financial and Administrative Management at headquarters, finance staff in the field represent a skilled resource available to each operation to assist in its wider financial management. However, over the years the Board has noted that in practice, field finance staff are focused almost exclusively

on support budgets and expenditures, with little or no input to the financial management aspects of the overall operation. While programme staff develop the programme budget and monitor expenditure against their budget allocation, there is little evidence of the specific expertise, tools and processes that would be applied to a more systematic financial review of programme budgets and costs. The Board's visits over the past six years have identified few areas of good practice in respect of the financial monitoring of programme budgeting and spending at the local level. Across the operations, systematic review, analysis and reporting on programme costs are not well articulated, and there is scope for using the local finance teams to improve budget and expenditure patterns across the operations as a whole. This would further serve to review and validate the cost bases and provide feedback to inform and refine future budget profiles.

13. More regular and systematic review of programme spending throughout the programme cycle can produce the management information that permits optimal decision-making at the operational level, maximizing resource allocation for the benefit of persons of concern. Such analysis can sharpen the focus on any emerging financial risks such as changes in the profile of expenditure, and allow for better exploration of remedial actions and the potential for the redeployment of funds. It will also improve the ability to forecast and reallocate to improve the rate of budget implementation, and permit earlier discussion on areas where new funding might be deployed at short notice. Financial matters should be given a higher profile in the agendas for local country offices so that trends and patterns can be explored and help to support and inform the decision-making process at the country level in a more systematic manner. Such mechanisms would further strengthen the control process to enhance the oversight of the representatives, the programme staff and the Controller.

14. **The Board recommends that UNHCR develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes.**

Cash-based assistance

15. The Board notes that the level of cash-based assistance in 2015 continued to grow and, in overall terms, individual and family payments to beneficiaries increased from $124 million in 2014 to $215 million in 2015. Table II.3 shows the types of payments made to beneficiaries. There have been significant increases in direct payments to beneficiaries for the purchase of items to meet basic needs such as food (subsistence), grants to purchase more durable items for their shelter needs and payments specifically for medical treatment.

Table II.3
Individual and family payments to beneficiaries
(Thousands of United States dollars)

	2015	*2014*
Subsistence allowance	160 627	107 811
Grants	15 886	7 401
Medical treatment	32 796	1 738
Travel allowance	428	486
Other payments	4 910	6 618
Total individual and family payments to beneficiaries	**214 647**	**124 054**

Source: UNHCR financial statements, 2015.

16. The Board undertook a visit to the country office in Jordan, where cash-based assistance is a major component of the delivery of support to beneficiaries. UNHCR Jordan is utilizing iris-scanning technology at registration to counter fraud, having developed arrangements with local financial institutions for the distribution of cash assistance. The use of such technology at the point of registration has enabled UNHCR to utilize the speed and security of iris recognition for its cash-based interventions programme, helping to counter the risk that cash grants might be obtained by anyone other than the entitled beneficiaries. Thus, beneficiaries access their cash assistance from local banks using this secure technology.

17. UNHCR is planning to expand this technology more widely, for example, in distributing non-food items donated for distribution to ensure that they reach the most vulnerable beneficiaries. The Board has also noted the roll-out of other cash assistance programmes in the form of payment cards in other locations, such as the Sudan. However, in most cases there has been no formal cost/benefit analysis of the use of cash-based interventions and technologies. While the many benefits of these cash assistance programmes are noted, the absence of a formal cost/benefit analysis makes it difficult to assess their cost-effectiveness. Such analysis is important, as the resources dedicated to these programmes continue to grow and it would help to inform future strategies and assess the impact of the programmes. The Board's recommendations for evaluation, made in 2013, remain outstanding.

Asset management

18. Since the adoption of IPSAS in 2012, financial reporting has provided management with a far more comprehensive picture of resource utilization. The discipline of IPSAS reporting continues to drive improvements in stewardship and accountability for the use of assets, especially in cash, investments, inventory and property, plant and equipment.

Inventory

19. While the level of UNHCR activities continues to grow, the Board notes that the balances of inventory in relation to non-food items continues to decline. This represents improvement in inventory management, increased use of delivery models involving implementing partners and direct cash-based assistance. Table II.4 highlights how inventory levels have fallen from $206 million to $182 million, with

continuing declines in consumables such as tents, bedding materials and household items despite the increased number of persons of concern. UNHCR has a well-developed process for keeping inventory under review, and the Board's visits to warehouses confirmed the functioning of the process.

Table II.4
Inventory levels
(Millions of United States dollars)

Inventory type	*31 December 2015*	*31 December 2014*
Tents	36 992	48 553
Bedding materials	58 876	68 373
Household items	42 525	44 993
Medical hygienic supplies and apparel	25 022	35 967
Food and other supplies	2 541	2 051
Construction and related equipment materials	15 713	6 112
Material consumables	99	339
Total	**181 768**	**206 388**

Source: Board analysis of inventory holdings.

20. The bulk of property, plant and equipment assets continue to be held in the form of motor vehicles, constituting $106.1 million (2014: $108.6 million) of the $146.2 million (2014: $150.1 million) in net book value. In its previous report (A/70/5/Add.6), the Board recommended that management implement the global fleet management strategy for the period 2014-2018, collecting the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible.

21. UNHCR launched global fleet management in 2013 as a programme to generate improvements in the operating effectiveness of the light vehicles used in UNHCR operations. The overall aim was to provide UNHCR with more cost-effective and safer vehicles and with professional fleet management services to improve programme delivery. The scale of the initiative is significant; for example, by May 2016, 2,391 vehicles had been delivered to 85 countries. However, the Board notes that it will take time to roll out global fleet management and ensure its consistent implementation. The visits undertaken by the Board also highlighted issues relating to the roll-out; for example, at UNHCR Jordan there was a lack of analysis of future vehicle needs. Similarly, the Board found that new vehicles were being delayed for more than a year in the Sudan as a result of local customs issues. Other issues, such as the difficulties encountered in the disposal of old vehicles in Ethiopia, were identified and reported in 2014. The current focus is on ensuring that the fleet is appropriate, and more can be done to identify the local issues arising from implementation and their impact on the delivery of the anticipated benefits.

22. The Board's visits suggest that there continues to be scope for UNHCR to continue its processes for communicating the purpose and benefits of global fleet management to country offices, and that there are still practical issues regarding its deployment; for example, the Board found instances in which tracking equipment had been removed from vehicles owing to a lack of prior governmental

authorization for their use. The Board also understands that in Jordan the current rental charges to the operation for using global fleet management are higher than the rates charged for vehicles provided by external parties in the country, although it also understands that they will fall in future years. This is consistent with observations made in Ethiopia and Uganda in 2014. The Board notes that there are a small number of country offices, such as those in Ethiopia, Jordan and the Sudan, at which the roll-out of global fleet management has been more problematic and that for the rest of the network of offices the roll-out has been smoother.

23. The Board has continued to note that, while the INSEAD report identifies initial benefits in the first year, such as the fact that the fleet is 11 per cent smaller and the average age of its vehicles is declining, cost-based data for assessing the value for money being realized from global fleet management have still not been collated. The Board notes management's assertion that the benefits of the project, including significant cost savings, will be fully realized only when the significant majority of UNHCR fleet vehicles are under the rental scheme. This is planned to be achieved by the end of 2018. However, the Board encourages earlier assessment of value for money so that any problems in achieving the desired benefits can be identified sooner. The Board will continue to monitor progress made on a year-by-year basis in subsequent audits. The Board also reiterates its recommendation that the most appropriate metrics and data be collected to assess the realization of the planned benefits.

24. **The Board recommends that UNHCR ensure that the global fleet management strategy is communicated consistently across country and regional offices, and that checks are carried out to ensure that its application across all offices represents best value.**

Internal control

25. The Board continues to take a positive view of the management of the financial resources of UNHCR by the Division of Financial and Administrative Management. The processes by which UNHCR accounts for the use of its funds are now well established, and good processes are in place for monitoring spending and supporting an efficient and timely annual accounts process. Internal control will be further strengthened by the finance systems upgrade, which will enhance the way in which data are extracted and analysed. The Board's audit did not highlight any significant weaknesses in the financial controls examined and tested during 2015. UNHCR again had strong evidence to support the expenditures of its implementing partners, and external verification remained strong, with a high level of coverage obtained over 2015 expenditures of $1.3 billion.

26. The Board identified scope for improvement in the internal verification processes at the country office level, on the basis of its visits to Jordan and the Sudan. The findings highlighted the need to take a more risk-focused approach and to ensure that visits to implementing partners are programmed systematically, to ensure that higher-risk, higher-value partners are visited more regularly. The UNHCR enhanced framework for implementing with partners encourages the adoption of a risk-based approach to the verification and oversight of implemented projects, but the Board identified little evidence that such an approach was being used in practice from its visits to country offices. In one of the countries visited, there was a lack of a clear risk-assessed verification plan, and it was unclear how

the resources available for verification could be matched to the level of work required. In a time of increased financial restrictions, the Board believes that a risk-based approach is reasonable, as it can reduce the cost and burden of verification, while delivering stronger and more focused assurance.

27. The Board noted observations made by OIOS in respect of the urgent need to strengthen partners' procurement processes. These concerned, inter alia, the need for improved local oversight and consideration of the cost/benefit analysis of allowing partners to be prequalified to undertake their own procurement, as opposed to procurement through UNHCR. OIOS had found that the justifications for decisions taken were often inadequately documented, and consequently it was difficult to find evidence to support decisions taken. The report also highlighted the need to support partners in the development of anti-fraud policies. UNHCR has responded to the issues raised and has agreed on actions to address the concerns raised.

28. These observations are consistent with the Board's own findings in respect of the analysis to support the reselection of partners under the enhanced framework. While the framework for documenting the reselection process has been improved, the underlying evidence recorded lacked detail regarding the specific analysis of the costs/benefits and the differences between the partners. While the further refinement of partner management processes will be needed, the Board found that the assurances regarding partner expenses were appropriate.

Fraud risk assessment

29. In the Board's previous report (A/70/5/Add.6), it was noted that management had recognized the importance of strengthening its approach to fraud detection and prevention by initiating the fraud prevention project. The project focused on the identification of key risks, drawing on the knowledge of managers across business areas and locations through a dedicated working group.

30. The Board recommended that UNHCR establish a clear time frame for finalizing the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project. Furthermore, risk assessments should be used to inform the design of processes in the MSRP upgrade and of structured training for key staff in high-risk areas.

31. The Board notes that the areas identified through fraud risk assessments have already informed the finance system upgrade, and UNHCR will ensure that those areas will continue to be taken into account in the refinement of the conceptual design and implementation phases. UNHCR is also routinely sharing findings emanating from risk assessments with OIOS and the Inspector General's Office to inform their understanding of risk. In addition, the Inspector General's Office is using data analytics to inform its own work, which is a positive development aimed at ensuring that its investigative programme is driven by the risks emerging from the data it has reviewed.

32. The Board also notes that UNHCR is continuing to develop its approach to fraud prevention, through training. UNHCR is developing a fraud awareness e-learning module that is expected to be rolled out in 2016, and is exploring other means to educate staff. These developments will be complemented by the creation of a fraud prevention manual in 2016, which will provide operational guidelines for the implementation of the UNHCR strategic framework for the prevention of fraud

and corruption. The Board welcomes the continued development of an effective counter-fraud strategy within UNHCR and the proactive way in which staff have been engaged in that comprehensive exercise. As the Board has previously noted, the strategy needs to be linked to a clearly communicated zero-tolerance approach to fraud incidents.

Internal oversight functions

33. The Board has welcomed the review undertaken by UNHCR to consider the alignment of mandates between OIOS and the Inspector General's Office. It remains important that UNHCR agree on the remits and roles of these assurance providers as well as on the role of the Policy Development and Evaluation Service. The Board considers each of these mechanisms to be important within the systems of internal control and will continue to consider the developments that occur as the review recommendations are carried forward.

Managing Systems, Resources and People upgrade project

34. In 2014, the Board considered the upgrading of the enterprise resource planning system used by UNHCR, entitled Managing Systems, Resources and People. The upgrade is required to change an outdated and unsupported system to bring it into line with current standards of functionality. The upgrade will be central in providing management with more reliable and timely information for decision-making and in enabling resources to be deployed in the most effective and efficient manner. Management have identified 18 key priorities focused on improving financial reporting and forecasting; better integration of revenue, budget and accounting systems; enhanced internal control processes; and improved procurement and travel functionalities. The Board notes that its recommendation for the creation of a clear statement of benefits arising from the upgrade remains outstanding.

Project timeline

35. The MSRP upgrade project started in late 2013 and remains on track. The build and implementation for the upgrade began in July 2015. Although the implementation of the project was potentially brought forward, the Board notes management's plan to revert to the original go-live date of the first quarter of 2017. From a strategic perspective, this is a prudent approach, as it presents less of a business risk to the year-end closing procedures, although it will result in a small anticipated increase in costs, which will be accommodated within the agreed budget allocation. UNHCR should learn lessons from the experience gained by the United Nations in implementing Umoja. This includes ensuring that adequate resources are dedicated to the training of staff and that clear and monitored project plans are in place to ensure that competing pressures relating to year-end processes and the delivery of system functionality are adequately managed.

Governance arrangements

36. In 2015, the Board noted that UNHCR had established both project steering and business owners committees. The steering committee met only twice, in August and November 2015, rather than holding the planned bi-monthly meetings. Similarly, the business owners committee met only four times, rather than on a

monthly basis. The Board notes that fewer meetings were held because there were fewer project activities in the early part of 2015. While it may be perfectly reasonable to reduce the number of meetings, the Board is concerned that significant changes in the specifications and budget were made in April 2015 and that those changes were not subject to formal review by the steering committee until August 2015. However, the close involvement of the Controller and other key stakeholders reduces the risks of this less formalized oversight. Nevertheless, as the project progresses towards implementation in 2016 and 2017, it is critical that the steering committee and the business owners committee meet regularly to maintain the momentum of effective governance until the completion of the project.

Project costs

37. The initial estimated cost of the project was $12.9 million. The budget was reduced to $12.2 million at the beginning of 2015 owing to the fact that progress on the upgrade was slower than expected and consulting contractor costs were lower than budgeted. However, in April 2015 the business owners committee endorsed an increase in the budget to $18.7 million up to 2017. The increase in the budget was due to revisions to the upgrade solutions that had emerged during the conceptual design phase and were needed to address key priorities. A review of the project documentation shows that the initial cost estimates did not include the following:

(a) Project estimate costs for the implementation of Oracle Hyperion, Oracle Governance, Risk and Compliance, Oracle Value Chain Planning and Supplier Relationship Management billing;

(b) Hardware and hosting services for new applications;

(c) The fact that business support costs were included for only 18 months.

38. While the increase in the budget was endorsed by the business owners and budget committees, it was not formally approved by the steering committee, which was contrary to the committee's terms of reference. Little documented evidence of the challenges were provided by the budget and steering committees with respect to the increase in the project costs. The budget increase was subsequently approved in June 2015 by the budget committee, amounting to $5 million of the $5.8 million requested, for a total budget of $18.7 million. The Board noted that additional functionalities are key to the achievement of UNHCR objectives and that UNCHR should have ensured that those functionalities and their costs were identified in the original project business case.

39. **The Board recommends that UNHCR review the arrangements in place for both the steering and business owners committees to ensure that: (a) they meet at key stages during the project and when significant changes are being considered; (b) more formal documentation is maintained to support the way in which key risks are being controlled; and (c) they meet when they provide approval for budget changes.**

MSRP risk management

40. The Board previously recommended that the MSRP upgrade steering committee enhance the risk management process for the upgrade project. This included more regular review of the project risk register and consideration of the quality of mitigation measures. UNHCR made the progress recommended and the

MSRP project team established a risk register for the project, which reports 14 risks, of which 13 are rated as high. The Board continues to note that while the risk log describes the key risks and their impact, it does not provide any indication of the actions to be taken to mitigate those risks over time. The Board also noted that mitigation actions for 7 of the 14 risks had been included in a separate risk management table in the final report on the conceptual design phase, which was outside the established risk management process.

41. For much of 2015, there was limited evidence to show that the project risk register was regularly updated. From discussions with management, it was noted that in early 2016 risks were appropriately discussed and challenged at the meetings of the business owners and steering committees. Risks and issues were monitored and mitigated at different levels. Management-level risks and issues were closely monitored at the business owners and steering committee levels. The focus was placed primarily on actual risks rather than potential or perceived risks. Mitigating actions were documented in meeting minutes and followed up, with project-level issues monitored on a more regular basis in order to take immediate action. These were reflected in weekly status reports, monthly workstream status reports and monthly project review meetings. It is important that in 2016, as the project moves forward to completion, these risks continue to be closely managed and systematically tracked.

Benefits realization

42. The Board previously recommended that the steering committee ensure that the key priorities were used to draw up a clear statement of benefits against which the success of the project could be measured. UNHCR has been considering benefits against each of the 18 key priorities set out in the project proposal document. However, at the time of the Board's visit in February 2016, there was no separate benefits realization plan, although the progress made against each of these key priorities was tracked through a dashboard. The dashboard is available on the Project SharePoint portal and is an effective tool for tracking progress. The Board noted that in the early part of the project there had been scope for increasing the frequency of the formal updates to the dashboard, and that UNHCR began to do so as the project implementation intensified.

43. The Board acknowledges that there are tools in place for tracking key priorities and, to some degree, reporting benefits of the upgrade against those priorities. The Board encourages UNHCR to further develop the key benefits set out in the business case and use them to create a live benefits realization plan to present to senior management at regular intervals, demonstrating progress against each of the key benefits. It is important that this document have the formal approval and sign-off of the steering committee, as it will become a key accountability document against which the success of the project will be measured. The Board recognizes that while the benefits achieved may not always be quantifiable, such analysis is necessary to enable the value of the project to be properly assessed.

44. **The Board recommends that UNHCR use the performance measures and key benefits to develop a benefits realization plan, reporting progress against each measure to senior management on a regular basis; furthermore, the plans should have the formal approval of the steering committee.**

C. Enterprise risk management

Background

45. The Board has reviewed the evolution of UNHCR enterprise risk management, which it considers to be essential to the effective management of a complex operation that faces multiple operational challenges and constraints. UNHCR appointed a full-time Chief Risk Officer in October 2013, tasked with the finalization of an enterprise risk management framework. A multifunctional project advisory group was created in 2013 and has been providing cross-functional advice on the framework. The policy for enterprise risk management (UNHCR/HCP/2014/7) was issued in August 2014, and accompanying administrative instruction and procedures (UNHCR/AI/2014/22) were issued in December 2014. Additionally, an e-learning course on enterprise risk management has been developed and was launched in December 2014 alongside a set of two-day workshops for country office focal points. A two-day workshop was also held in November 2015 for the new focal points.

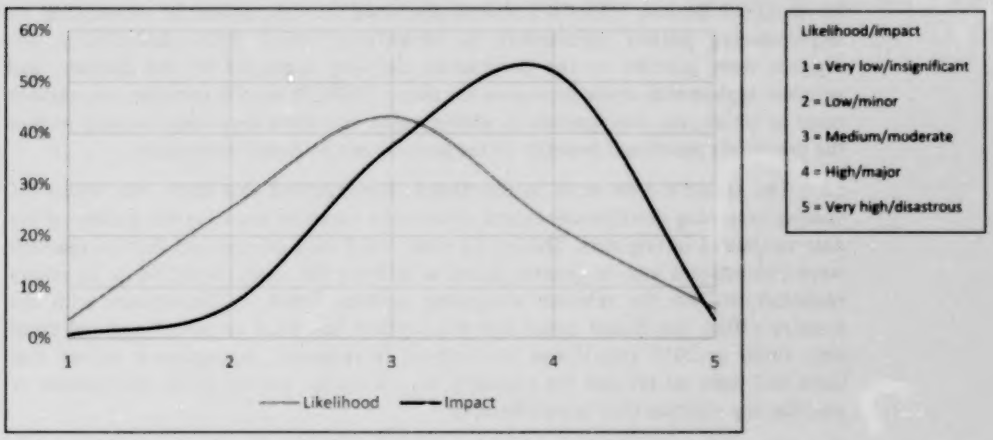
46. In 2015, UNHCR completed its structured assessment of all country office and headquarters entity risks and has compiled the results of this exercise into a risk register. This represents a significant milestone in the evolution of risk management, and the systematic collation of risks across these areas of operations is a positive development. However, the Board considers that more can be done to refine this process and to make better use of the outcomes to inform business decisions, both at headquarters and at the country office level. UNHCR has confirmed the policy, and the administrative instruction will be reviewed before 30 June 2017, at which time risk criteria will be considered, based on the risk data accumulated during the period 2014-2016.

47. From its review of the UNHCR corporate risk register, the Board has determined that a total of 2,835 risks were identified in 2015, including risks that have been closed and deleted. The average number of risks identified in each office was 20. In addition, UNHCR developed a strategic risk register, which was finalized in December 2015 through consultation with the senior management committee and executive management to identify the top 20 risks. While recognizing significant progress, the Board does not consider that, as yet, the overall risk identification and management process supports high-level decision-making at the senior management level. The processes for compiling the corporate and strategic risk registers are not fully integrated, and the Board considers that a closer alignment would provide greater confidence as to the completeness and integration of the risk processes within UNHCR. As the process matures, it is important that the information contained in each register flow through the organization and that each register become an embedded part of the regular decision-making processes. UNHCR should continue its efforts to enhance the new frameworks.

48. Risks are classified according to their likelihood and impact; there is a five-point scale for each. The distribution on the likelihood scale was even: 28 per cent of risks were rated "high" to "very high" (4-5), with the same percentage rated "very low" to "low" (1-2). A total of 56 per cent of risks were rated "major" to "disastrous" (4-5) on the impact scale; 93 per cent were classified as "moderate" to "disastrous" (3-5). Only 1 per cent of risks were rated as having an "insignificant" impact. A total of 552 risks were rated as having a "medium" likelihood and a "moderate" impact (3-3), representing 19.5 per cent of all risks identified. There

were only 19 risks classified as having a "very high" likelihood and a "disastrous" impact (5-5), representing the highest level of risk exposure. Figure II.II shows the distribution of risks identified across country offices.

Figure II.II
Distribution of likelihood and impact of UNHCR risks



Source: Board analysis of UNHCR risk register.

Embedding risk management in business processes

49. From the Board's visits to two country offices and a survey of an additional five countries with significantly large operations, it found that the quality and utilization of risk registers and risk management in general were variable. There is scope for the further embedding of risk management in the business and decision-making processes of UNHCR if it is to realize the full benefits. UNHCR in Iran (Islamic Republic of), Jordan and Lebanon placed greater focus on managing their top 5 to 10 risks and discussed them in the context of key priorities at senior management meetings held on a regular basis. They were also able to demonstrate that the registers were regularly updated. The offices in Egypt, Kenya and the Sudan were not able to provide evidence of the regular review of the registers or to demonstrate that they were used to support decision-making. Given that the strategic risk register has only recently been compiled, it will be important that it, too, be regularly reviewed and utilized at senior management meetings.

50. In most cases, discussions of risks and review of the risk register were not standing agenda items for senior management-level meetings, and discussions of risk were held on an infrequent basis, depending on emerging situations and emergencies. This reduces the value of systematic risk management processes as well as the currency and value of the information contained in the registers. The Board's analysis did confirm good use of some registers. For example, in Kenya, Lebanon and Turkey, programme offices in charge of protection, water, and sanitation and health projects actively used the risk register to monitor and manage risks. In the Islamic Republic of Iran, there was a system for establishing risk focal points in area offices and business units overseeing specific areas of delivery such

as health, education and protection. This allowed for greater delegation of risks at the local level and for more effective and relevant mitigations.

51. Registers were also being used strategically in the offices in Lebanon and Turkey as a key tool for developing the country office plan and prioritizing the allocation of resources to key situations and emergencies, and those offices used their risk register in their discussions and negotiations with the Middle East and North Africa Bureau. UNHCR Lebanon also used the risk register in formulating its implementing partner agreements by identifying which risks identified in the register were specific to the programme delivery managed by the partner, and whether agreements made provision for them. UNHCR should consider the various ways in which risk management is adding value and share them more widely so that the practical operational benefits of the process can be better understood.

52. The Board's own work in the Sudan demonstrated that there was scope for sharing emerging good practices and to be more robust in ensuring the quality of the data contained in registers. During its visit, the Board determined that mitigations were inconsistent and in general failed to address the risks identified or to assign responsibility for the relevant mitigating actions. From its discussions with the country office, the Board noted that the register had been reviewed and validated only twice in 2015 (April and November). In response, management agreed that there had been no process for regularly reviewing the quality of the mitigations or considering whether they were effective.

53. The Board provided detailed feedback on the issues noted with respect to improving the risk register. Analysis of other registers has identified similar weaknesses, and the Board believes that there is scope for greater scrutiny at both the bureau and headquarters levels to provide challenge and feedback to country offices. This would improve the robustness of the process and provide greater assurance centrally as to the effectiveness of local risk management processes.

54. The Board notes that engagement between the country offices and bureaux of UNHCR is informal, with some having more regular and focused interactions on risk matters while others share their risk register with the risk focal point when it is updated annually. From its survey, the Board found that offices such as those in Lebanon and Turkey worked proactively with the Middle East and North Africa Bureau. They specifically used the risk register to develop their country office plan and address how identified priorities served to mitigate and address key risks. Similarly, those offices sought the assistance of the bureau risk focal point in their engagement and negotiations with government officials to address specific risks; for example, in Turkey the bureau assisted in managing issues and risks with respect to migrant inflows to Europe. In Lebanon, there was ongoing similar assistance in managing the risks emerging from the Syrian situation. Greater use of risk registers by bureaux can help inform resource prioritization and support systematic risk-based interventions.

55. **The Board recommends that risk registers be reviewed on at least a quarterly basis as a standing item at senior management meetings. Country office representatives should take a cyclical approach to scrutinizing risks and their mitigations to ensure that the risk process is fully embedded in their local business processes and utilized in the development of country office plans.**

56. **The Board recommends that greater attention be given to the status and quality of mitigating actions in country office risk registers to ensure that they are realistic, complete and updated. The Board also recommends that the bureaux develop their review processes to provide more regular and formal feedback on the quality of mitigating actions and utilize them as part of country plan considerations.**

57. **The Board recommends that UNHCR work further towards the full integration of the corporate and strategic risk processes and embed the information flows more formally within the decision-making processes.**

D. Accuracy of population data

Key facts	
27 per cent	Proportion of operations planning a verification exercise in 2016 (25 out of 94 operations globally)
1.2 million	Reduction in the headcount of internally displaced persons in the Democratic Republic of the Congo following reassessment by the Office for the Coordination of Humanitarian Affairs
$4.6 million	Approved budget for the implementation of BIMS and the proGres system in 2016
12 per cent	Proportion of countries that deployed BIMS technology in 2015

Planning population figures for demand forecasting

Scope

58. UNHCR needs accurate population numbers to allocate resources in the most optimal way, and it seeks to drive accuracy in a number of ways. These include: estimating a figure for planning purposes; employing controls to mitigate fraud or error during registration; and using verification processes, including technical solutions such as biometric applications. The Board has assessed how effectively UNHCR management has used those approaches. The Board drew on evidence from a survey of 10 country operations and reviewed processes in greater depth for two country operations. In addition, it examined related headquarters activity.[4]

[4] The Board's scope has not included an assessment of the registration process, which is a mechanism for recording population statistics, given that OIOS is undertaking such an assessment in 2016.

The planning process

59. Each year, country operations prepare their plans for subsequent years, which outline their resource requirements.[5] At this point, population figures are necessarily estimates and provide a forecast of how a situation will evolve during the planning year. The figures used for resource planning can evolve considerably (upward or downward) in the course of the planning and implementation cycles. In addition, UNHCR faces challenges in collecting these data because of complex external factors, such as how to detect a population in an urban environment and how to obtain timely information from host Governments.

Verification exercises

60. UNHCR uses verification exercises to validate population data. These exercises may take several forms, including the use of biometrics to verify a person's identify, data-cleansing or a simple headcount. While they are not mandatory, UNHCR recommends that in camp environments, operations undertake biannual verification exercises.

61. Where UNHCR country operations have carried out verification exercises, they have improved the accuracy of data regarding populations of concern. Some verification exercises have revealed significant differences between estimated and actual populations, which has led to underspending, a request for more funds or a reprofiling of funding (see box II.1). In 2015, one country's actual population was 23 per cent lower compared with the results of the previous registration. In another country, the Board found that a data reassessment exercise had revealed that internally displaced person figures had been overestimated by 1.2 million.[6] As of 2016, both of these countries were reviewing their methodology for determining population estimates. In one country, it had taken over a year to complete the process for registering Syrian refugees. As might be expected, the allocation of resources at the time was based on an estimation of refugee numbers, but that estimate was not entirely accurate and did not reflect the extent of the situation.

62. UNHCR headquarters does not carry out a reconciliation exercise during the year to review planning population figures against actual figures, except for cases in which an operation requests additional funding for an unforeseen situation. Where a verification exercise reveals an overestimated planning figure, the "spare" resources created remain within the operation.

63. **The Board recommends that, following the results of a verification exercise, UNHCR headquarters and regional teams assess the impact, if any, on resourcing requirements in the relevant operation and for other operations in the region, to assess where the extra resources should be deployed.**

[5] Country operations develop their plans every March for the following year (for example, in March 2016 plans are prepared for 2017). In estimating the population planning figures for the planning year, country operations, working with other agencies, adopt methodological approaches that include analysis of birth rates or household composition, current influx rates, etc.

[6] Falling from 2.7 million to 1.5 million.

Box II.1
Examples of verification exercises and their impact

Country A: The total registered refugee population was estimated at 470,000, with ongoing registration exercises carried out over several years, but after a verification exercise in 2015, the population present for the verification exercise was revised downward to 350,000. This meant a change in the planning assumptions, which was reflected in a downward revision of the resource requirements.

Country B: During an influx of refugees at the beginning of May 2015, the assumption about average family size proved to be incorrect. An average family size of 5 persons had been considered for the planning of assistance packages for families, when in reality it was 2.3 persons. This was because the displacement pattern was different, with a much larger proportion of single persons in the influx owing to persecution targeted at certain groups and individuals. This resulted in the overstatement of planned requirements.

Country C: The Office for the Coordination of Humanitarian Affairs revised the population data by applying a different methodology based on a range of scenarios to estimate population numbers, causing the number of internally displaced persons to decline from 2.7 million to 1.5 million.

Source: Board analysis of country survey responses and UNHCR documents.

64. While headquarters provides guidance to country operations on how to carry out verification activities, it does not collect data on those exercises, and no official reporting requirement in that regard exists. The Board was told that data were usually available at the level of regional registration operations. The lack of oversight on the part of UNHCR means that some countries may not be undertaking verification exercises in a timely manner. Headquarters has recently undertaken a preliminary survey of verification exercises planned in 2016 and will monitor them through the regional registration operations network. A total of 25 out of 94 operations plan to undertake a verification exercise in 2016.

65. **The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.**

Biometric solutions

66. In accordance with its 2010 policy on biometrics in refugee regulation and verification, UNHCR is introducing new biometric technology to improve the accuracy of its identification and registration processes. This technology often provides other benefits, for example, by preventing those not eligible for UNHCR services from accessing them, and improves upon previous biometric systems by enabling onward movements (between camps or countries) to be monitored, thereby reducing duplication.

67. In 2015, after two years in development, UNHCR rolled out its new biometric system, BIMS, to support the registration and verification of refugees. It had designed BIMS to address various ongoing issues relating to the accuracy of population data, such as the number of refugees making multiple attempts to receive assistance. The system had also been designed in response to a 2010 joint memorandum by the Assistant High Commissioners for Protection and Operations, calling for the introduction of biometric data as a routine feature of registration and verification processes.

68. Also in 2015, combined budgetary requirements for the full deployment of BIMS and the upgraded proGres system were presented with a series of scenarios,[7] covering three- to five-year periods. The costs range from $60.5 million to $71.0 million up to 2020. For the 2016 annual budget, the UNHCR Budget Committee approved approximately half of the requested amount ($4.66 million out of $8.92 million) for full implementation of the minimal deployment scenario for the BIMS project. It was approved with the proviso that BIMS must be deployed in an additional 16 locations, 1 million BIMS licences must be purchased and a global deployment team in Copenhagen must be established.

69. In 2015, UNHCR implementation costs across 11 countries totalled $2.1 million, with the cost per refugee ranging from $0.93 to $3.15, for an average of $1.679 per refugee (see table II.5). The Board notes that the cost per refugee does not reflect the expected benefits of economies of scale; for example, the Republic of the Congo and Thailand have a similar cost-per-refugee figure, but the caseload for the former is 2.5 times larger. The Board recognizes that country operations present different operational challenges, and therefore BIMS deployment is bespoke, but further scrutiny of these variations should help UNHCR to ensure that they are justified, which in turn may help it to identify future savings.

70. UNHCR is making some progress in rolling out BIMS. The BIMS business case committed to roll-out on a progressive basis as from the second half of 2013.[8] By the end of 2015, 11 countries had fully deployed BIMS. However, UNHCR did not assess the demand for BIMS at the outset. As of 2016, the planning tool indicates that 39 out of 94 countries (41 per cent) are unlikely to be targeted in the near future for the deployment of BIMS, 25 out of 94 countries (27 per cent) should or may complete deployment, and 19 out of 94 (20 per cent) have not been shortlisted by the regional registration teams. This leaves 12 out of 94 countries where the deployment of the tool is likely in 2016. The operational target set by the Division of Programme Support and Management for the roll-out of BIMS in 2016 is 16 countries.

[7] proGres is the registration and protection case management system of UNHCR.

[8] Biometrics implementation project, phase 1 (July 2016).

Table II.5
Overview of BIMS implementation costs, 2015

Operation	*Total caseload for BIMS (thousands)*	*Implementation costs (United States dollars)*	*Total costs per refugee (United States dollars)*
India	30	94 492	3.15
Thailand	135	293 299	2.17
Republic of the Congo	55	139 929	2.54
Pakistan	15	31 437	2.10
Malawi	23	42 122	1.83
Chad	401	817 444	2.04
Dominican Republic	30	49 887	1.66
Malaysia	150	200 057	1.33
Cameroon	300	364 464	1.21
Afghanistan	210	254 497	1.21
Haiti	30	27 900	0.93
Total	**1 379**	**2 315 528**	**Average: 1.679**

Source: Board analysis of UNHCR data.
Note: Implementation costs include the costs of BIMS equipment, such as iris and fingerprint scanners; server costs; mission costs; and licensing costs for enrolment, servers and clients.

71. As of March 2016, UNHCR had not produced a formal benefits realization plan, nor had it routinely monitored the impact of BIMS. The deployment team had not developed a framework for systematically measuring the benefits of BIMS deployment. While there are undoubtedly benefits associated with the system, there is limited qualitative and quantitative evidence to support this. Therefore, UNHCR will find it difficult to determine whether the roll-out of BIMS has had a beneficial impact on the accuracy of population data, delivers greater protection or achieved cost savings. Without such monitoring, UNHCR cannot determine whether the investment in BIMS has delivered the expected benefits.

72. In 2014, headquarters reviewed the biometric registration process in Jordan, which was developed in response to the arrival of increasing numbers of Syrian refugees. That review entailed limited cost/benefit data to inform the development of BIMS, although the Government of Jordan stated that the introduction of biometrics had provided confidence with respect to the accuracy and integrity of the identities of refugees.

73. **The Board recommends that UNHCR headquarters, as a matter of urgency, implement a benefits realization process for BIMS, and use it to determine whether the roll-out of BIMS should continue, and provide an evidence base to support management decisions on future investment.**

E. Prioritization of resources

Key facts	
6	Number of the 11 key areas of activity of UNHCR allocated less than 2 per cent of the budget in 2015
85 per cent	Proportion of donor contributions earmarked for a specific purpose
$694,000	Estimated cost of time spent by the Division of Programme Support and Management and the Division of Financial Administration and Management in the annual programme review process in 2016
22 per cent	Proportion of country operations with less than a 5 per cent variance in their budgets between 2014 and 2015
461	Number of performance indicators selected by the operation in the Democratic Republic of the Congo in 2015

Scope

74. The Board has examined how UNHCR allocates resources. To help UNHCR reduce the gap between identified needs and its available budget, it is vital that there be an effective process for allocating resources. The Board surveyed 10 country operations and held teleconferences with 2 operations, conducting a detailed review of their country plans for 2014 and 2015. It also reviewed activity at headquarters to review and challenge how those countries intend to allocate resources, as well as carrying out an analysis of centrally held documents and data.

Allocation of resources against key areas of UNHCR activity

75. The competing demands for UNHCR services, combined with increasing levels of earmarking, mean that UNHCR cannot provide resources for its goals equitably or strategically. UNHCR prioritizes protection over the provision of solutions to protracted situations. As of 2015, of the 11 key areas of UNHCR activity, 6 were allocated less than 2 per cent of the overall budget (see figure II.III).[9] The two largest areas, constituting 71 per cent of the allocated budget, are protection and mixed solutions and emergency response.

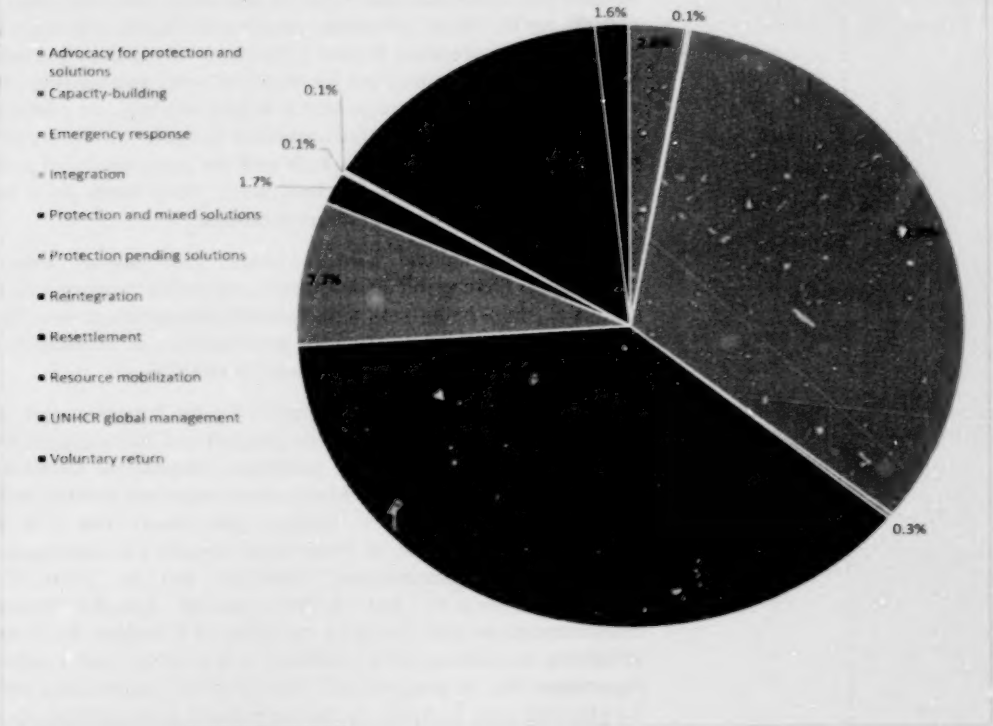
76. As the Board has reflected in table II.2, UNHCR has seen significant increases in the level of earmarking among donors.[10] In 2015, 85 per cent of UNHCR income was either earmarked or pending earmarking by donors. There is variation across the regions, with 98 per cent of income for the Middle East and North Africa

[9] Capacity-building, integration, reintegration, resettlement, voluntary return and resource mobilization.

[10] Where a donor requires the funding to be used for a specific purpose and/or in a specific location.

earmarked by donors. At least 50 per cent of the income for some 32 countries is earmarked, with 75 per cent of the income of 18 of them earmarked.

Figure II.III
Resource allocation by key areas in 2015



Source: Board analysis of UNHCR data.

The resource allocation process

77. The main UNHCR process for determining how resources should be prioritized is the annual programme review (see box II.2). Outside the formal process, OIOS inspects country operations and examines the process of developing country plans, the extent to which they take into account global strategic priorities, and the quality of objectives and defined activities with allocated budgets.

Box II.2
The midyear and annual programme review process

January-March	At the country level, the process of identifying and prioritizing needs and resources is undertaken within the field operation. Each assessment also builds on previous partner and inter-agency assessments, alongside other relevant sources of data. The plans are updated for the initial indications provided during the previous year, taking into consideration revised projections of population numbers (as estimated at that time) and the results of needs assessments. Draft country plans are produced in March to feed into regional plans. The operations prepare their needs-assessed budgets on the basis of identified needs. The budget is built with the participation of a wide variety of stakeholders at the field level. Once needs have been assessed and agreed upon, costs are attributed. Countries and regional bureaux submit their annual plans to headquarters (setting out achievements, resourcing requirements and rationale), these being part of the annual programme review. In so doing, funding availability and the predictability of earmarking are reviewed and a spending authority level is established.
April-August	Headquarters divisions provide support for the bureau review. The role of the Division of Programme Support and Management is to report performance against key indicators, whereas the Division of Financial and Administrative Management examines staffing levels, unit costs, expenditure vs. budget, past trends and cost per beneficiary. The Division of Programme Support and Management, the Division of International Protection and the Division of Emergency, Security and Supply provide specific thematic recommendations and scrutinize the plans and budgets for overall coherence, consistency with guidelines and priorities and a realistic expectation that the proposed activities could be implemented within the planning year. In April, the bureau submits memorandums to the Assistant High Commissioner, summarizing the results of bureau review and highlighting issues requiring policy decisions, unmet needs, etc. The results of the annual programme review are examined from a financial perspective by the Budget Committee, which recommends a consolidated budget to the High Commissioner for approval on the basis of the review of plans and the predictability of funds. Budgets are finalized in June. In April, the bureau submits a memorandum to the Assistant High Commissioner for Operations summarizing the results of bureau review and highlighting issues requiring policy decisions, unmet needs, etc.
September-November	Budgets for the following year are submitted to the Advisory Committee on Administrative and Budgetary Questions of the United Nations Secretariat.

	In October, once the available budgets for the following year have been approved by the members of the Executive Committee, countries may reprioritize should the need arise. All operations are requested to finalize the plans and budgets for the following year by updating relevant changes to narratives, budgets and indicator data by the end of November.
December	Field and headquarters units prepare detailed budgets for implementation for the following year.
Following July-August	A midyear review is undertaken each year to provide an opportunity for countries to revise plans and reallocate resources across the organization and operations.

Source: Board analysis of UNHCR documents.
Note: Countries may need to reprioritize resource requirements as population numbers or priorities change.

Scrutiny of reported resources to meet needs

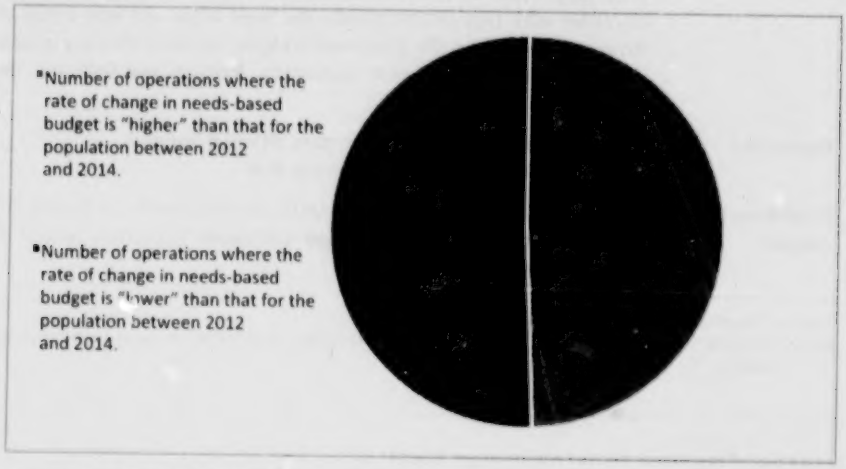
78. In 2015, the approved needs-based budget of UNHCR, based on needs identified in country plans and headquarters requirements, was $7.2 billion. This budget reflects all activity considered necessary to meet the needs of refugees, against which UNHCR secured revenues of some $3.6 billion. Overall expenditure against the global assessed needs budget was $3.3 billion. Since 2010, the reported shortfall has grown each year, from 36 per cent in 2010 to 49 per cent in 2015.

79. UNHCR recognizes that it must ensure that its needs-based budget remains credible. For 2017 plans, additional guidance has been provided emphasizing that country operations should base their requirements on what is realistic and therefore credible. The Board has reviewed the budgets contained within two country plans. Management agrees with its findings, which suggest that in both cases, more could be done to scrutinize how the budgets were compiled to support resource allocation decisions.

80. The Board's wider analysis of patterns within trend data regarding population and budgets highlights the need for operations to improve in this area (see figure II.IV). Between 2012 and 2014, 38 operations saw needs-based budgets increase at a greater rate than the headcount of the corresponding populations of concern; this means that resourcing needs are increasing at a greater rate than changes in populations. Whereas one operation's population declined by 16 per cent during the period, the needs-based budget of that operation increased by 40 per cent. Conversely, 39 countries decreased their budgets while the numbers of persons of concern increased. As an example, one operation's population decreased by 6 per cent, while its budget was reduced by 41 per cent.

81. **The Board recommends that UNHCR monitor the extent to which budgets reflect the needs as assessed for future plans. In doing so, it needs to provide greater challenge on discrepancies, to ensure that figures remain credible.**

Figure II.IV
Country operations — budget trends and population figures


Number of operations where the rate of change in needs-based budget is "higher" than that for the population between 2012 and 2014.
Number of operations where the rate of change in needs-based budget is "lower" than that for the population between 2012 and 2014.

Source: Board analysis of UNHCR population and finance data.
Note: Analysis is based on 77 operations for which data for the period 2012-2014 were available.

Headquarters scrutiny of country plans

82. UNHCR headquarters provides detailed guidance to operations, which set parameters to use for resource allocation. Alongside this, the High Commissioner provides strategic and operational direction for country operations to consider when they develop country plans.

83. UNHCR headquarters performs a detailed and transparent review to assess the quality and technical integrity of country plans against needs. It provides challenge regarding the proposed allocation of resources, such as funding for specific objectives and the balance among all cost categories. In addition, headquarters scrutinizes the quality of impact indicators, the provision of baselines and expected results. The country operations that the Board consulted had a good understanding of the ways in which funding is allocated by headquarters, with most operations describing frequent dialogue with headquarters and a transparent process.

84. In developing plans, the regional bureau works closely with country operations. The Board determined that some aspects of headquarters scrutiny could be carried out in greater detail at the level of the bureaux when plans are produced, lessening the need for scrutiny by headquarters. Examples include how well a plan is aligned with the High Commissioner's message, whether it reflects UNHCR priorities and whether it contains a multi-year vision.

85. **The Board recommends that UNHCR review the role of the bureaux, to ensure that its activities are aligned with and complement other headquarters efforts and that it sufficiently supports countries in applying more formal and evidenced aspects of headquarters scrutiny to the plans prior to submission.**

86. The UNHCR process of preparing and scrutinizing country plans is resource-intensive and does not differentiate between stable and fluid operations. For 2016, UNHCR estimates that the time spent by the Division of Programme Support and

Management and the Division of Financial and Administrative Management is 605 staff days, amounting to $694,183.[11] However, despite this detailed scrutiny, the Board finds it difficult to see how the effort involved has led to tangible changes on the ground. In some operations, the speed of change can limit the effectiveness of preparation and scrutiny, with headquarters feedback overtaken by events. In one example in Jordan, because budgetary spending authority was received late in 2015 in respect of $53 million in annually earmarked funds, decisions had to be taken quickly in order to deploy that amount as cash assistance grants, and had to be taken outside the scrutiny process in order to meet the earmarking requirements. UNHCR recognizes the constraints of using an annual cycle for volatile situations. In 2016, it is supporting six operations in developing multi-year plans as a means to overcome these challenges and to ensure the most optimal use of the resources made available to it.

87. For more stable operations, UNHCR derives limited benefits from time spent on preparation and scrutiny, given the fact that there are few changes from year to year. The Board conducted extensive analysis and found that 22 operations (22 per cent) had budgets in 2014 and 2015 with a minimal number of changes (a range of plus or minus 5 per cent).

88. **The Board recommends that UNHCR: (a) assess whether the level of scrutiny applied during its annual budget process is at an appropriate level, and in doing so determine the costs involved at all stages of preparation; and (b) assess the merits of a multi-year planning approach to resource allocation decisions, as well as other models such as targeted "deep dives" for the highest-risk operations, and assess where these approaches should be rolled out further and where a lighter touch can be applied.**

Country operations — a more detailed look

89. For 2014 and 2015, the Board reviewed the annual programme review process. Table II.6 outlines its findings, which show the extent of the changes made between those years. The Board found that plans were detailed (between 100 and 250 pages long), but that the level of detail made it challenging to see the big picture. Within the plans, budgets were provided for each objective for each population group, but there were no estimates for cost per unit of delivery/performance or trend data on cost per capita. Such data would make comparisons easier and support resource allocation decisions.

90. In 2015, UNHCR guidance encouraged operations to create a monitoring plan that supports good-quality performance data. In practice, owing to legacy issues, many operations have overly complex results chains, leading to a lack of coherence and consistency. The Board's review indicates that more needs to be done. Between 2014 and 2015, two sample countries were reviewed. One showed an increase in the number of performance indicators by 4 per cent, from 445 to 461. By contrast, between 2014 and 2015 the second country showed a decrease in the number of performance indicators by 9 per cent, from 127 to 116.

[11] These figures exclude the time spent on review by the thematic teams, the regional bureaux and senior management, as well as the associated time spent by country offices on preparing plans.

Table II.6
Board of Auditors observations on reviewing a sample of two country plans (for 2014 and 2015)

Details of country plans for 2014 and 2015	*Country A*	*Country B*
Length	269 pages in 2014; 244 pages in 2015	188 pages in 2014; 109 pages in 2015
Number of objectives and indicators	Between 2014 and 2015, the number of objectives increased by 9 per cent, from 139 to 152, and performance indicators by 4 per cent, from 445 to 461	Between 2014 and 2015, the number of objectives declined by 8 per cent, from 50 to 46, and performance indicators by 9 per cent, from 127 to 116
Population	Static population of 2.6 million persons of concern in both years; some movement within population groups, but not within internally displaced persons/returning displaced persons (constituting 96 per cent of the population)	Static population of 2.3 million persons of concern in both years; small increase within internally displaced persons, but not within refugees/asylum seekers (constituting 63 per cent of the population)
Cost components of the budget	A 6 per cent increase in the needs-based budget between 2014 and 2015, with a 7 per cent increase in support-type costs; 77 per cent of the budget was categorized as programme-related costs, while staff costs remained at the same proportion of 15 per cent and support costs at 8 per cent	A 21 per cent decrease in the needs-based budget between the two years; staff and programme costs decreased, while staff support costs (10 per cent) and programme support costs (6 per cent) increased

Source: Board review of country plans for 2014 and 2015.

91. **The Board recommends that UNHCR review how it can simplify country operation plans, for example, by reporting only changes compared with the previous year, key areas of spending, etc., and through better use of graphical representation, focusing on outcomes and achievements against targets. UNHCR needs to better determine which operational objectives, outputs and indicators to include, using only those that are most pertinent.**

Using performance data to inform decision-making

92. UNHCR does not systematically evaluate the longitudinal impact of its interventions to support decisions relating to resource allocation. The Board saw examples, such as the livelihood programme, in which UNHCR had analysed operations' ability to deliver successful outcomes, and that has supported more effective allocation of resources. The UNHCR Evaluation and Policy Analysis Unit assesses situations (such as emergency response), but does not routinely evaluate programme activity, leaving a gap in the independent evaluation of programme spending and reducing the evidence base for further budget allocation decisions.

93. **The Board recommends that UNHCR systematically allocate sufficient resources to expand its evaluation coverage of field programmes against agreed risk criteria so as to improve the evidence base for resource allocation.**

F. Driving efficiencies

Key facts	
5 per cent	Expected percentage reduction in the number of regular posts and affiliated workforce
12 per cent	Proportion of costs categorized as programme support in 2015
35 (43)	Number of operations increasing (decreasing) per capita spending between 2012 and 2014

94. UNHCR has undertaken a number of actions to identify cost savings and drive efficiencies throughout its operations. The Board examined the progress that UNHCR had made against those objectives. In doing so, it asked country operations about activity to drive efficiency, with a particular focus on implementing partners. The Board also reviewed related headquarters activity and analysed expenditure data alongside per capita spending, given that those are indicators of efficiency.

95. UNHCR headquarters has increased its focus on efficiency at the strategic level. The High Commissioner's message for 2016/17 emphasizes the need to improve the effectiveness and efficiency of the UNHCR structure, which includes a 5 per cent reduction in the number of regular posts and affiliated workforce. In January 2016, UNHCR put in place a 7 per cent reduction in spending across operations, although the impetus for that was driven by exchange rate losses rather than more strategic cost-cutting.

96. The Board has seen clear signs of ongoing efforts to restructure and downsize where appropriate. For example, in 2015, the Africa bureau closed down one country operation and field operations in five other locations. In 2013, only one operation had been downsized. Since 2014, the Asia bureau has closed down one country operation and field operations in four other locations. However, while savings are undoubtedly achieved through such action, the Board is unable to determine the actual savings realized, given that the extent to which resources have been transferred elsewhere is unknown.

97. The Board found that all country operations included in the Board's survey did, to some extent, focus on finding efficiencies. Operations reported many ways in which they had identified efficiency savings, with the most common being a reduction in the number of partnership agreements or renegotiation with suppliers. While the Board recognizes that these activities should yield benefits, very few operations could report how that translated into quantifiable savings.

98. **The Board recommends that UNHCR and country operations improve the design of efficiency activities, such as restructuring, to enable their impact to be measured and to allow for better decision-making for resource allocation.**

99. In 2016, UNHCR headquarters issued further guidance on how to address efficiency in country plans, for example, the need to explain variances between budget trends and the number of assisted persons of concern. In order to support UNHCR in its efficiency activities, the Board has analysed country budget and expenditure data.

Programme support and per capita costs

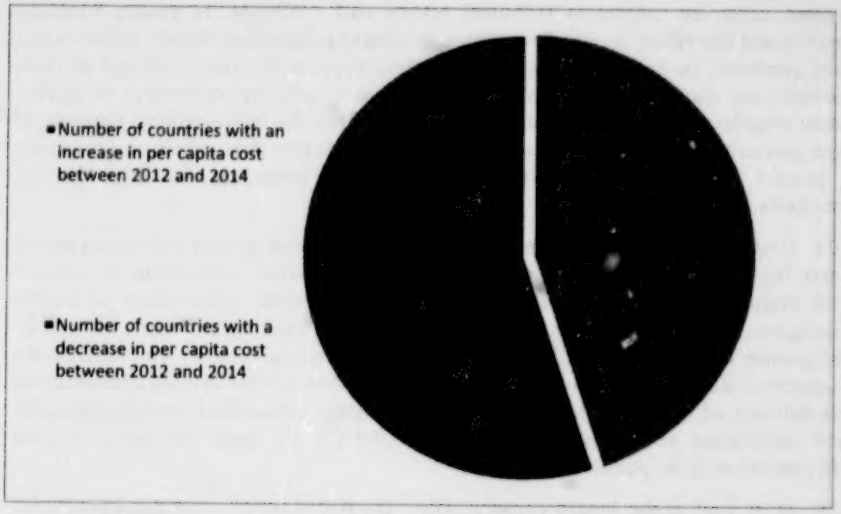
100. UNHCR headquarters faces a challenge in understanding the variances within countries' per capita costs, since there is not a consistent cost that can be applied across regions or types of operations. Headquarters scrutinizes all costs that have changed more than 5 per cent compared with the previous year, and the ratio of programme support costs as a proportion of overall budget. However, UNHCR recognizes that in several operations, support costs represent a significant part of programme budgets, and that more can be done to review the cost structures of certain types of operations in the annual programming or operational review exercises. In some instances, this can be justified given the operational environment, but the reasons for the differences are not always well documented.

101. The Board analysed programme support cost data for the years 2012 to 2015. Since 2012, these costs have increased by 39 per cent to $400 million in 2015, in line with programme spending (a 40 per cent increase). However, the Board notes that between 2014 and 2015, programme support costs increased by 23 per cent, while programme expenditure decreased by 5 per cent. This pattern underlines the need for scrutiny of these costs to support the High Commissioner's message on efficiency. The Board has previously found that administrative costs have been incorporated into programme costs, resulting in a lack of transparency with regard to their true value.

102. **The Board recommends that greater scrutiny be applied to programme support costs both at headquarters and within operations. UNHCR should review operations where support costs cannot be reasonably justified.**

103. The Board recognizes that expenditure per capita will vary from year to year according to circumstances, for example, because of changes to government policy or the influx or exodus of a specific population group. Capita costs are, however, a useful indicator for assessing efficiency. Between 2012 and 2014, 35 countries increased their per capita costs, with 23 of them seeing an increase of more than 10 per cent. In contrast, 43 countries decreased their per capita spending, with 32 of them decreasing such spending by more than 10 per cent (see figure II.V).

Figure II.V
Per capita expenditure — trend analysis


Number of countries with an increase in per capita cost between 2012 and 2014
Number of countries with a decrease in per capita cost between 2012 and 2014

Source: Board analysis of UNHCR population and finance data.
Note: Analysis is based on 80 operations that have population and needs-based budget data.

104. **The Board recommends that UNHCR headquarters identify which operations have reduced their costs and/or per capita spending, and provide a platform for those operations to share their experience.**

Global programmes and headquarters expenditure

105. UNHCR can do more to scrutinize some areas of its budget line expenditure to identify potential cost savings. In 2015, UNHCR global programmes and headquarters expenditure represented 14 per cent of all expenditure, a proportion that has remained consistent since 2012. The Board identified some cases of items of expenditure in global programmes and at headquarters, including $4.5 million spent on tools to support knowledge management, $3.9 million spent on information and communications technology policies and guidelines that had been developed and disseminated, and $1.7 million spent on the development of new policies. The Board found that UNHCR did not assess value for money for outputs such as these and, consequently, was unable to provide the specific details regarding the listed items. In order to overcome that challenge, UNHCR has initiated a review of its results-based management structure and systems. As part of this, there are opportunities for headquarters to take a more in-depth look at the cost drivers to examine whether the same activity could be delivered for less.

106. **The Board recommends that UNHCR further scrutinize the cost drivers and value for money within items of significant expenditure. In doing so, it should assess the opportunities for efficiencies to be found in the way they are delivered.**

Identifying and achieving cost efficiencies in implementing partner delivery

107. The Board continues to stress the importance of ensuring that implementing partner costs are subject to sufficient review and challenge, to ensure adequate control and the efficient use of resources. It acknowledges that country office teams face pressures in balancing the levels of their support for and challenge to their partners and that in some cases, they may have to rely on contractors to deliver when regular oversight is not possible. This requires the implementing partners to take greater responsibility for the accuracy of the data that they report, and to ensure a control environment that will maintain ethical behaviour and high service standards.

108. UNHCR recognizes that improved data will provide greater clarity regarding costs that are wholly or partly attributable to an operation, programme or project. The initiative is driven by the need for better financial information to enable management to make more informed decisions about funding priorities, as well as for greater visibility of overhead costs. The Board has previously emphasized the importance of transparent overhead costs as a mechanism for driving efficiency in the delivery of agreed projects. Furthermore, ongoing embedded cost management and continuous improvement will enable UNHCR to agree on areas of cost efficiencies with its partners.

109. In its visit to the Jordan country office, the Board noted some good practices, with proactive engagement with implementing partners to challenge the budgeted costs for the delivery of projects. There was one example in which this constant engagement had yielded benefits for the implementing partner, demonstrating numerous ways in which to manage its project delivery costs more effectively. For example, the Norwegian Refugee Council had reduced costs through:

- Reduction in transportation costs using a mix of purchased vehicles and directly recruited drivers
- Use of cash for a camp work scheme under which refugees performed a range of tasks to deliver the project, including cleaning, maintenance and carpentry, thereby providing opportunities for refugees to work
- Use of staff locally recruited by the partner rather than its own international staff
- Clawback of commuting costs for partner staff taken to the camp
- Use of electricity meters in prefabricated accommodation units to better manage the consumption of electricity charged to the project

110. Additionally, the Board noted other areas of good practice, such as logistics and fleet management in the United Republic of Tanzania, where a project partner had centralized the maintenance of the vehicle fleet, guaranteeing both the quality of spare equipment and efficiency in terms of purchasing in bulk. However, experience gained in visiting country offices over a number of years has shown a lack of emphasis on efficiency challenges to partners. It would be useful if country offices shared good examples of efficiency and if there were a more formal process in which programme staff were required to consider each partner's approach to efficiency. This would help to build up a body of data to enable UNHCR to demonstrate to donors how it addresses efficiency in its partner procurement. The Board's surveys and country office visits did not enable it to obtain any clear data

on efficiency savings or to find any clear evidence of a consistent and systematic approach.

111. **The Board recommends that UNHCR identify areas of good practice in challenging the cost base of projects delivered by implementing partners, identify where efficiency savings are being considered and achieved, and share that information across other offices through a central focus point at headquarters.**

G. Durable solutions

Key facts	
70 per cent	Proportion of operations with a protracted status
4 per cent	Proportion of the UNHCR budget allocated for durable solutions in 2015
$20 million	"Seeds for Solutions" budget for each year since 2013

112. Durable solutions are programmes designed to support persons of concern in becoming self-reliant, integrating locally, reintegrating or being repatriated, thereby moving away from a protected status. In addition to having important implications for the individuals and Governments concerned, the successful implementation of durable solutions can help to reduce the financial pressures resulting from long-standing operations and increase the resources available for emerging operations.

113. UNHCR must always prioritize life-saving in line with its mandate, but it will soon need to make difficult decisions about how best to increase funding and focus on durable solutions in order to help prevent the overall position from becoming untenable. However, despite the consistent messages of the High Commissioner to the effect that durable solutions must be found, UNHCR budgeted expenditure on durable solutions has declined since 2012, from 9 per cent to 4 per cent of overall expenditure. Some 70 per cent of situations now have a protracted status.

114. UNHCR has faced a long-standing challenge to the successful implementation of durable solutions. In 2008, the High Commissioner launched a Special Initiative on Protracted Refugee Situations with the objective of delivering durable solutions. However, making progress in achieving that objective has been challenging, despite the fact that operations have undertaken a number of activities in that regard (see table II.7).

Table II.7
Durable solutions activities undertaken by operations

Common approaches	*Country offices examples of activities*
Support for access to local services, including housing and health care	**Kenya** — over 5,000 refugee households access health facilities in urban areas through the National Health Insurance Fund scheme
	Afghanistan — strategies are being developed to transform a current refugee camp into a self-sustaining settlement
Vocational and language training	**Syrian Arab Republic** — over 17,000 refugee, internally displaced person and host community members benefited from the vocational and life skills training sessions organized by UNHCR partners
	Turkey — has recognized that teaching Turkish is key to overcoming challenges in accessing education, health and other services
	Yemen — UNHCR supports vocational and technical education programmes as well as language and computer courses to encourage self-reliance
Support for securing work permits and finding work	**United Republic of Tanzania** — UNHCR is working closely with the Government to draft new regulations for refugee work permits that will give refugees the opportunity to seek employment outside camps
	Costa Rica — receives funding from the UNHCR "Seeds for Solutions" initiative to support refugees' participation in the economy, helping them to become self-reliant. The Government is incorporating this approach into its national employment and poverty reduction strategies in order to ensure long-term sustainability
	Kenya — UNHCR has provided refugees with legal support in obtaining work permits that allow them to gain formal employment in Kenya. Refugees can now also register their own businesses
	Syrian Arab Republic — UNHCR provided more than 100 small start-up business grants for refugees and internally displaced persons

Source: Board analysis of country operation survey responses and UNHCR documents.

"Seeds for Solutions"

115. UNHCR continues to make efforts to provide incentives for the implementation by country offices of durable solutions. In 2014, it allocated $20 million to a project entitled "Seeds for Solutions" with a specific focus on integration. UNHCR headquarters invited operations to bid for a tranche of this funding. In 2014, 24

country operations received between $57,500 and $3.5 million, with a median value of $500,000. However, five operations returned funds totalling $393,000, or 2 per cent of overall expenditure. In 2015, UNHCR saw the same pattern.

116. UNHCR does not have performance measures to accurately assess the benefits of the "Seeds for Solutions" project. While in rare instances "Seeds" has funded the entire solutions intervention of an operation (such as that in Costa Rica), in most cases "Seeds" funds have supplemented the existing prioritized budget of solutions-related activities in the regular planning of operations.

117. At the end of 2014, UNHCR carried out a lessons-learned exercise in which it was noted that some operations were using the "Seeds" funds to fill a funding gap. The Board realizes that durable solutions can take time, but notes that UNHCR was not able to provide a figure for the number of persons who had achieved a durable solution, or for the number of solutions planned, as a result of the "Seeds" project. UNHCR intends to determine the final achievements of the "Seeds for Solutions" initiative after the completion of the three-year pilot or, in some cases, at the end of the multi-year strategies and plans that "Seeds" funds are supporting in their initial stages.

118. **The Board recommends that UNHCR develop performance measures to assess the added-value impact of "Seeds for Solutions" and, more widely, activity to deliver durable solutions. In doing so, UNHCR should develop a strategy for working effectively with development partners and host Governments.**

119. UNHCR faces challenges in successfully implementing projects such as "Seeds for Solutions", because in most protracted refugee and internally displaced person settings, the barriers are structural and political. Few "Seeds" submissions have presented compelling strategies for overcoming those barriers. Indeed, among the projects submitted for 2015 funding, few were outstanding when measured in terms of senior management's criteria for 2015, including a likelihood of future cost savings.

120. As of 2016, UNHCR is analysing protracted situations that have had positive outcomes in order to capture the lessons learned. It is also developing a methodology to support a systematic approach to durable solutions and is reviewing country plans for durable solutions activities, including multi-year strategies.

121. UNHCR has made efforts to address these issues. It has updated its Focus indicator guidance and has worked with teams to support complementary systems that permit solutions-specific objectives to be monitored at the level of impact over the course of protection and solutions strategies. Its recent work with the World Bank has led to the setting-up of concessionary loans to enable some Governments to take in displaced populations in Africa. Alongside the World Bank, UNHCR has commissioned two reports to collect evidence to demonstrate the value of providing refugees with a work status.

122. **The Board recommends that UNHCR rethink its approach to overseeing durable solutions so that it becomes embedded in delivery, using its multi-year strategies. It should consider developing a matrix of operations that show the likelihood of success for durable solutions, which captures the political and structural barriers to delivering successful durable outcomes, using that information to determine the effective allocation of resources within its annual programme review.**

H. Disclosures by management

Write-off of losses of cash, receivables and property

123. UNHCR reported that it had formally written off assets of $5.6 million (2014: $5.5 million). That balance included $5.2 million in unpaid donor contributions and $0.4 million in other receivables, as disclosed in note 10 to the financial statements.

Ex gratia payments

124. UNHCR reported that it had made four ex gratia payments totalling $65,627 (2014: one totalling $64,000) in 2015, as authorized by the High Commissioner. That corresponds with the Board's review of the financial and management records of the organization, which have not identified any other such payments during the 2015 financial year.

Cases of fraud and presumptive fraud

125. In accordance with the International Standards on Auditing (Standard 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

126. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud, including enquiries by OIOS.

127. In 2015, the Board did not identify any cases of fraud, other than those cases of fraud and presumptive fraud that had been reported and disclosed by management. UNHCR has reported 12 cases of proven financial fraud during 2015, resulting in financial losses amounting to $200,000 (2014: six cases accounting for losses of $124,000). All those frauds were committed by staff members and involved embezzlement, medical insurance fraud, misuse of assets, non-compliance with administrative instructions and theft. No criminal prosecutions against the individuals concerned were brought by UNHCR in respect of the frauds committed.

I. Acknowledgement

128. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner, the Deputy and Assistant High Commissioners, the Controller and members of their staffs.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

Annex

Status of implementation of the Board's previous recommendations

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5/Add.6, chap. II, para. 12	The Board recommends that UNHCR work with donors to improve the profiling of resources during the year to facilitate better forecasting, in order to minimize large year-end fluctuations and smooth procurement flows.	The forecasting of donor contributions has become increasingly accurate in the past few years despite the occurrence of new emergencies in which funds have been diverted[a]. UNHCR continues to work with donors to increase the predictability of funding and improve forecasting through the following measures: (a) Organizing an annual pledging conference at which donors announce their contributions for the coming year; (b) Pursuing the conclusion of multi-year framework agreements with major donors to provide more information on core contributions and supplementary funds; (c) Updating donors' profiles through analysis of donors' development assistance policies, budgets, funding mechanisms and priorities; (d) Conducting bilateral and multilateral meetings with donors, at both the senior and working levels, which have included the following activities: (i) In 2014, five inter-agency refugee response plans were launched; (ii) UNHCR has taken part in 27 (out of 29) inter-agency strategic response plans and appeals led by the Office for the Coordination of Humanitarian Affairs; (iii) In consultation with donors, the Global Focus website has been developed, which includes information on more than 40 operations;	The Board considers that progress is being made towards improved profiling of donor resources; however, more needs to be done to smooth procurement flows and to move towards improved utilization. The Board has noted that implementing partner agreements were agreed upon late in the year, and there continues to be late allocation of funding, which proves difficult to implement. The Board notes that the MSRP upgrade will provide additional data to support further progress. Therefore, the Board considers the recommendation to be under implementation.		X			

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		(iv) UNHCR briefs the Permanent Missions to the United Nations Office and other international organizations in Geneva and the European Commission in Brussels through bilateral discussions and the Executive Committee, on operational situations, including financial needs, to respond to emergencies. Numerous briefings have been organized for donors and the international community to provide operational updates and to launch refugee response plans and supplementary appeals. Bilateral consultations have been held with donors, and six meetings with the "20 million-plus club" have been organized;						
		(v) UNHCR continues to solicit support from emerging donors.						
		Donor missions composed of representatives from several donor countries have been organized in Ethiopia, Iraq, Lebanon and Turkey.						
		Guidelines on donor visibility, administrative instructions on "Acceptance of and signing of contribution agreements" and "Standardization of external updates and fact sheets" have been developed and disseminated. In 2014, the Humanitarian Financing and Field Support Unit undertook six missions to Cameroon, the Democratic Republic of the Congo and Ethiopia to facilitate inter-agency planning and the preparation of refugee response plans in response to level 3 emergencies in the Central African Republic and South Sudan. Regional workshops have been organized in Nairobi, Jordan and Dakar. *UNHCR Global Report 2013* and *UNHCR Global Appeal 2015 Update* have been issued, in which the quality of thematic chapters was improved and the country/subregional chapters incorporated matrix reporting on year-						

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		end results UNHCR continues to improve its reporting systems and tools by investing in the redesign of the Global Focus website, which is intended to be a "one-stop shop" for donors. Global Focus shares information on operations and the funding situation through standardized reports. The MSRP upgrade will improve internal and external reporting and facilitate the processes. The recording and reporting of revenues will be further automated, instituting checks and control mechanisms to enhance the accuracy of data, allowing for better reporting and data analyses. These will contribute to better-informed decision-making in line with the UNHCR resource allocation framework.					
A/70/5/Add.6, chap. II, para. 18	The Board recommends that, as management implements the global fleet management strategy for the period 2014-2018, it ensure that it collects the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible.	UNHCR has engaged INSEAD to conduct an independent assessment of the implementation of the global fleet management strategy. The assessment has been completed, and the report issued confirmed that the project is on track and that planned benefits have been realized so far. The study identified measures for assessing the benefits of the global fleet management strategy, such as fleet size, average fleet age and procurement cost, with respect to which reductions have been achieved as a result of the strategy. UNHCR will update annually the assessment of those benefits using the same metrics and has commissioned INSEAD to continue to monitor and analyse the results and benefits of the implementation of the global fleet management. The findings of this study have formed the basis for the development of specific financial reporting criteria on the use of global fleet.	The Board has reviewed the metrics involved in the INSEAD report and encourages the use of similar metrics going forward to ensure that the benefits of global fleet management are being realized and tracked. The Board considers this recommendation to be under implementation until a more extensive evaluation is completed		X			

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5/Add.6, chap. II, para. 23	The Board recommends that UNHCR adopt data analytics to review compliance with key controls and build them into a systematic process to identify control exceptions or unusual transactions. Furthermore, management should seek to ensure the MSRP upgrade mandates separation of duties and facilitates exception reporting.	In the context of the MSRP upgrade project, UNHCR will implement two governance risk and compliance modules from Oracle (Application Access Control Governor and Transaction Control Governor). Those modules include features enabling the performance of analytics to assist in reviewing compliance with key controls. Governance risk and compliance also enables a systematic process to identify control exceptions or unusual transactions and facilitates the control of separation of duties and exception reporting. UNHCR plans to implement Oracle governance risk and compliance in the fourth quarter of 2016 or the first quarter of 2017. This is progressing as planned.	The Board has reviewed the UNHCR MSRP implementation plan, under which the build phase for governance risk and compliance is currently scheduled to begin in May 2016, with user testing in July. The use of this functionality will further support UNHCR in being proactive in identifying fraud risks. The Board considers the recommendation to be under implementation.		X			
A/70/5/Add.6, chap. II, para. 25	The Board recommends that UNHCR enhance its internal verification processes to pay greater attention to developing risk-based verification plans, specifically consider the risk of fraud, and extend checks to ensure accountability for the use of assets acquired with project funds in prior years.	UNHCR continues to strengthen partnership management through the enhanced framework for implementing with partners. The adoption of policies for improving the monitoring of reports by partners, as well as the risk-based verification of projects implemented by partners, is ongoing, and all operations will be required to fully and consistently apply those policies by the end of 2016. To strengthen the accountability exercised with respect to the management of assets acquired with project funds, UNHCR has enhanced controls by introducing specific provisions in the standard project partnership agreement regarding the handling of assets by a partner. Partners are required to establish and maintain records that allow for the tracking of all goods and property, to secure UNHCR approval prior to disposal, and to provide periodic reporting on those assets. Partners are also required to conduct regular physical verification of property and facilitate periodic visits by UNHCR staff or other persons duly authorized for the same purpose. Furthermore, goods and property must be transferred by the	The Board has reviewed verification monitoring as part of the country office visits to Jordan and the Sudan. This has been developed through a new policy in engaging with implementing partners. The Board's reports on these country office visits have identified the need to improve the risk focus of the visits and the documentation and reporting of results. Through the external audits of partner's financial reports, focus has been placed on controls over procurement, cash management and fraud, with some consistent recommendations made across multiple partners. The Board has continued to note that assets procured with UNHCR funds for the project are not always subject to verification.		X			

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		partner to UNHCR (a) upon completion of the project, or (b) at the request of UNHCR, or (c) upon termination of the agreement, unless otherwise agreed upon in writing by the parties. Furthermore, the Implementing Partnership Management Service is a key participant in the working group established in the context of the fraud prevention project, which will thoroughly assess the risk of fraud in projects implemented by partners, among other fraud risks. This project focuses on the identification of key fraud risks and corresponding mitigation measures by drawing on the knowledge of a working group consisting of key staff from across various business areas and locations. UNHCR has identified a list of internal and external fraud risks that are most relevant to the organization, in terms of both direct implementation and implementation through partners, and those risks are being assessed against the current internal control framework to identify any gaps in the mitigation measures. The results derived from that exercise will be incorporated into relevant guidance to be issued as part of the enhanced framework for implementing with partners.	The Board considers the recommendation to be under implementation. UNHCR needs to ensure greater visibility with respect to the quality of internal verification processes before it can consider the recommendation to be fully implemented.					
A/70/5/Add.6, chap. II, para. 31	The Board recommends that UNHCR establish a clear time frame to finalize the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project. Furthermore, risk assessments should be used to inform the design of processes within the MSRP upgrade and of structured training for key staff in high-risk	Risks identified through risk assessments have already informed the MSRP upgrade project, and UNHCR will ensure that they will continue to be taken into account in the refinement of the conceptual design and implementation phases. UNHCR will also routinely share findings emanating from risk assessments with OIOS and the Inspector General's Office for their further analysis. With respect to training, the fraud prevention project encompasses the development of training strategies for staff with respect to the identified areas of high fraud risk. UNHCR is developing a basic e-learning programme, which is	The Board notes the good progress made in developing the fraud risk and mitigation plans, including the fraud prevention manual and e-learning modules for staff. The Board considers this recommendation to be under implementation; it will be completed once the project has been fully rolled out across UNHCR with the supporting materials.		X			

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
	areas. The analysis should also be used to inform planning assessments carried out by OIOS and the Inspector-General	expected to be rolled out across the organization in 2016, to raise awareness about fraud identification and prevention and promote a culture in which staff can report concerns. In addition, a fraud prevention manual is being prepared that will provide operational guidelines for the implementation of the UNHCR strategic framework for the prevention of fraud and corruption. A draft fraud prevention manual is under development with the assistance of a consultant. The draft is almost completed and is currently under review by the members of the fraud prevention project working group. Draft content for the e-learning course has been developed and is now under final review by various stakeholders. Once it has been approved, the Global Learning Centre of UNHCR will design an interactive learning module based on that content which will be made available online to all UNHCR staff. It is intended to become a compulsory training module on fraud awareness and prevention (of about one hour's duration) for staff at all levels. UNHCR is also exploring ways to make it available to partners. On the basis of the survey of country offices regarding fraud risks and as a result of the work of the fraud prevention working group, a number of fraud risks relevant to the corporate level (including those related to partners) have been identified and captured in a draft UNHCR fraud risk register. Work is now ongoing to review and document the mitigation measures and the identified gaps. The risks captured in the register have informed the development of examples for e-learning (see above) and have been addressed in various chapters of the fraud prevention manual (see above).					

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
A/70/5/Add.6, chap. II, para. 36	The Board recommends that the MSRP upgrade steering committee: (a) Ensure that the key priorities are used to draw up a clear statement of benefits against which the success of the project can be measured; (b) Enhance the MSRP project risk process by regular review of the project risk register to consider the quality of mitigation measures and the time frame for addressing identified risks, and to ensure that the register is regularly refreshed.	(a) UNHCR will develop a statement of benefits plan for the 18 key priorities already identified, against which the success of the MSRP upgrade project will be measured. The plan will be submitted for endorsement at the next meeting of the project's steering committee; (b) A risk matrix and mitigation activities were presented in the final report on the MSRP upgrade project conceptual design phase, submitted to the Information Technology Governance Board. The updated risks log, along with the updated mitigation strategies, will be regularly shared with the project's steering committee. The 18 key priorities are focused on improved financial reporting and forecasting, better integration of revenue, budget and accounting systems, enhanced internal controls processes, and improved procurement and travel functionalities. UNHCR has continued to monitor those key priorities throughout the main phases of the MSRP upgrade project to ensure that the solutions/recommendations to address each priority are being implemented. Updates on the progress made in addressing the priorities, including information on the latest risk log and mitigation strategies, are regularly provided at the meetings of the steering committee. This is progressing as planned. **May 2016 comments and attachments:** (a) The established functional key priorities provide insightful guidance and information to promote better understanding of the primary objectives of the MSRP upgrade project. These key priorities have been taken into account in the building and implementation of the solution. This project is not limited to a technical upgrade; it also includes some functional enhancements and the	(a) The project includes a document that outlines the key strategic priorities. Furthermore, in May 2016, UNHCR developed a list of performance measures to assess the success of the upgrade project. However, the list needs to be developed further to enable progress against these measures to be reported to senior management on an ongoing basis. The Board's report for 2015 provides further commentary in this regard. (b) The MSRP project has an established risk log for the project, which has noted 14 risks, all but one of which have been rated as high. In the prior year, the risk log described the key risks and their impact but did not provide any indication of the actions taken to mitigate those risks over time. However, mitigation actions for 7 of the 14 risks have been included in a risk management table in the conceptual design phase final report. Mitigation actions need to be added to the risk log. The Board notes the progress made, but considers these recommendations to remain under implementation and refers to the paragraphs in the report above with regard to the continuous development of these documents going forward.		X			

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
		redesign of selected business processes to maximize the benefit of the upgrade. The dashboard on key priorities is monitored, discussed at the project level and at meetings of the business owners committee and the steering committee, and updated monthly as the project advances. The financial analysis of the benefits of implementing Oracle/PeopleSoft solutions based on a five-year projected analysis period reveals the following: (i) A total projected five-year benefit of $49,362,000; (ii) A net present value of $24,947,000; (iii) A return on investment of 368 per cent; (iv) An internal rate of return of 73 per cent; (v) A payback period of 30 months; (b) Risks and issues are monitored and mitigated at different levels. Management-level risks and issues are closely monitored at the levels of the business owners committee and the steering committee; the focus is primarily on actual risks rather than perceived risks. Actions (mitigation measures) and decisions are documented in the minutes of meetings and followed up on at subsequent meetings as needed. Project-level issues are monitored on a more regular basis in order to take immediate action. These are reflected in weekly status reports, monthly workstream status reports and monthly project review meetings. Potential project risks were identified in the business case and logged in the risk matrix. The same risks were monitored throughout the conceptual design phase and updated as needed. At subsequent steering committee meetings, risks, issues and mitigation measures (management approach) were discussed						

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		and captured in presentations and/or the minutes of meetings. Risks and management actions have remained in line with strategies laid out in the documents presented to the Deputy High Commissioner in the following areas (i) Capacity: the steering committee is to ensure the visibility of the initiative among the affected divisions as well as their commitment and availability; (ii) Timing: accept the risk and recalibrate as necessary; (iii) Budget: steering committee support to realign the spending limit of UNHCR in successive budget cycles.						
A/70/5/Add.6, chap. II, para. 45	The Board recommends that UNHCR further review its cost classifications and definitions, especially across functional types, such as executive and management grades at the country and field office levels, and the programme support functions based at headquarters and in capital cities.	In March 2015, UNHCR reviewed the budgetary classification of positions, taking into consideration related functions, and reclassified several positions. UNHCR will further review cost classifications under the functional area of "executive and management" at the field level. It should be noted that cost allocation in UNHCR is carried out through the Focus system, whose methodology follows the principles of results-based management, such as allocation to results or activities.	The Board has noted that a process of post reclassification has been undertaken. However, the Board considers that there is further work that UNHCR can undertake to better understand its cost profiles and reclassify costs.		X			
A/70/5/Add.6, chap. II, para. 52	The Board recommends that: (a) Funded overhead costs of international implementing partners included in partner agreements be reclassified as administrative costs in the disclosures in the financial statements; (b) Management review its scrutiny of administrative costs within the budgets of	(a) In response to this recommendation, UNHCR will disclose the total amount of its contribution to headquarters support costs included in project costs of international partners in an additional note to the financial statements. However, UNHCR is of the opinion that the disclosure of its total contribution is not necessarily of value to the users of the financial statements. UNHCR already provides information related to implementing partnership expenses in the notes to the financial statements, at the level of pillar and rights group and by type of implementing partner. This is useful for UNHCR stakeholders, as it provides information on programme	(a) This recommendation is considered to be implemented. (b) The Board has reviewed the updated guidance and policies issued by UNHCR and is encouraged by the progress made in scrutinizing the budgets and costs of partners. However, echoing the previous High Commissioner's message in 2014, the Board believes that more can be		X			

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
	implementing partners to better evidence as to how UNHCR achieves value for money from those agreements	expenses and programme delivery issues. Other information, on budget allocations at the account, output, project and partner levels, both in the field and at headquarters, is available and used for decision-making and verification purposes; (b) UNHCR will continue to strengthen the process of reviewing partner expenses. It already has procedures in place to review partner budgets in detail and to substantiate the amounts budgeted against local costs and the particularities of the project under review. This review is conducted primarily by the operations, supported by headquarters. Partners develop their budgets on the basis of line item by line item costs, separately for each project; hence, implementing partner costs are visible and subject to scrutiny. Evidence is available to show that management in operations is challenging partner costs at the budget line item, output and objective levels in the context of partnership agreement negotiations. Through an internal policy issued in 2014, the rate of UNHCR contribution to headquarters support costs included in project costs is currently fixed at 7 per cent, which is added to the total budget for the project and is intended to support international partners that operate out of their country of origin in terms of their costs, to provide administrative and oversight support to field-level projects. UNHCR firmly believes that costs incurred by international partners remain direct costs of providing direct assistance and protection to persons of concern	done to ensure that partners are delivering value for money. While the Board acknowledges that the level of detail of partner budgets provides a good basis for understanding partners' project costs, it notes from its review of a sample of budgets and implementing partner financial monitoring reports that there is little consistency between partners, even at the same country office. The Board refers to its observations in the main report and considers this recommendation to remain under implementation. The Board's report for 2015 also identifies the need to seek cost reductions and efficiencies and draws attention to the need for better identification of these. Board visits have not identified evidence of the challenges with respect to efficiency regarding implementing partner and headquarters costs. The Board considers that more needs to be done in respect of the scrutiny of partner costs.					
A/70/5/Add.6, chap. II, para. 55	The Board recommends that management further develop the annual programme review process to build in a consistent framework to demonstrate the efficiency challenges to	UNHCR has initiated the preparation of such a framework, and it will also incorporate the analysis of needs into its review of the results framework and comprehensive results-based management and related structures. UNHCR has prepared an inventory of analysis performed for the annual	The Board notes that this recommendation is under implementation. The Board reiterates its recommendation that key efficiency outcomes also be considered within the annual programme review		X			

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	programme budgets and to record and summarize the key efficiency outcomes	programme review and the midyear review, and is currently collecting samples of the analysis performed on a continuous basis with respect to budget adjustment and monitoring Following the collection of information, UNHCR will prepare a compendium of standard and special analyses for various scenarios, including the identification of financial performance indicators (such as implementation rates). The analysis framework is expected to be finalized by August-September 2016	process					
A/70/5/Add.6, chap. II, para. 59	The Board recommends that UNHCR, within the scrutiny process, build in an assessment of country office variances to define metrics by which to assess country plans, including expenditure per refugee per programme, variance in budgetary requirements being unmet, and instances of underspend and overspend compared with outcomes achieved	As explained in item 55, UNHCR is preparing an analysis framework, whose first version is expected by August-September 2016 (there will be a later version after the results-based management review). As explained above in the response to this recommendation, UNHCR reviews instances of underspending, overspending, cost per capita, etc Costs per capita are not normally compared among operations, however, since such costs are sensitive to local circumstances, such as transport infrastructure and the availability of services Unmet budgetary requirements correspond to the difference between the needs-based budget and the UNHCR spending limit	This recommendation is under implementation, and the Board notes the linkages to the recommendation in paragraph 55. The Board has reviewed evidence of annual programme review analysis, including trend analysis of per capita and operational spending within the operations budget and the unmet budget, but what is critical is how such analysis is used to inform resource allocation. This is presently unclear and should be reflected in the design (and monitoring) of the analysis framework. The Board is also making a related recommendation this year regarding closer scrutiny of administrative costs, which should be reflected in the framework		X			
A/70/5/Add.6, chap. II, para. 68	The Board recommends that UNHCR review the existing scrutiny process, as there is an opportunity to further challenge and document the cost-effectiveness of proposed interventions	UNHCR will continue to improve in the area of cost-effectiveness. A working group will be established with participation by relevant divisions (including the Division of Financial and Administrative Management, the Division of Programme Support and Management and the Division of International	This recommendation is under implementation. The Board is encouraged by the creation of a working group, but would also recommend that the Evaluation and Policy Analysis Unit be involved		X			

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	at the headquarters level. In doing so, UNHCR should review opportunities to include performance metrics which enable cost-effectiveness to be measured.	Protection), to review existing processes and guidance for the analysis of cost-effectiveness, both within field operations during the development of projects and related budgetary requirements and at headquarters to support review processes. The working group will develop a guidance framework to assist operations in the review process, ensuring consistent analysis of cost-effectiveness across the organization. Given the significant workload associated with the Syrian refugee situation and the European refugee crisis, as well as the pressures resulting from day-to-day management, the working group will be established in 2016, with its first meeting convened in the first quarter of the year.	in the process of developing the framework.					
A/70/5/Add.6, chap. II, para. 75	The Board recommends that UNHCR standardize performance indicators, for example, by the maturity of the country's circumstances in delivering education services. In doing so, UNHCR should work closely with country offices to rationalize the selection of indicators and use only those deemed essential rather than being "nice to know".	In the course of the process described, the list of standardized indicators to support the management of education data has been elaborated. UNHCR expects that further refinement may take place. The list represents a smaller set of indicators compared with the existing set of results framework indicators pertaining to the education objective and associated outputs. It should be clarified that the roll-out of smaller set of education-related indicators is subject to a current organizational review of the UNHCR results framework, among other results-based management enabling components. Pending the outcome of the review, there is an organization-wide freeze on any change to the current results framework and its elements until a decision on the wider results-based management revision has been taken. Furthermore, many UNHCR operations have additional reporting requirements, linked to earmarked contributions and specified/ required by donor countries and funds. Some of these go beyond the indicators and data captured in the	This recommendation is under implementation. The Board is encouraged by the steps being taken to harmonize data management systems with the objective of minimizing data management resources and maximizing information outcomes for the organization. The Board recognizes the challenges of managing donor requirements, but its review of country plans as part of this audit reinforces the need for review and simplification of the results-based framework so that it becomes an effective management tool.		X			

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		UNHCR results framework and are at a much higher level of detail. This is especially the case with education-related interventions. Therefore, decisions made on the number of indicators and the choice of data sets for specific countries are often determined by external reporting requirements. Corporate efforts to improve the quality of education data are continuing. In 2016, two training workshops on education data management are being held with UNHCR and government, non-governmental organization and United Nations counterparts, building on the first workshop, which was held in 2015 and refined in cooperation with the UNHCR Global Learning Centre. Those efforts are expected to result in gradual improvements in the quality of data through increased capacity and coordination among UNHCR and partner staff, as well as with government counterparts and United Nations sister agencies. They are also in line with the UNHCR strategic direction towards the integration of refugee children (and children in refugee-like situations) into national education systems. Having concise and reliable quantitative and qualitative data is imperative for the advancement of this agenda.					
A/70/5/Add.6, chap. II, para. 78	The Board recommends that, as part of the review of the global reporting framework, UNHCR include cluster themes as part of its reporting hierarchy	Currently, cluster themes are included in various reporting structures. For example, the results framework has an objective specifically covering "coordination and partnerships strengthened", with outputs relating to "coordination mechanisms established" and "joint assessment, planning and evaluation exercises held". UNHCR work within clusters is also reported through the global strategic priorities under the theme "UNHCR makes effective use of and contributes to improving humanitarian coordination mechanisms." *UNHCR Global Report 2014* reports (on page 24) on the topic	This recommendation is under implementation. The Board notes that the annual reporting includes a requirement that UNHCR operations report on "partnerships — coordination and contributions" summarizing the main achievements and challenges in inter-agency coordination, and the engagement of development actors in relation to the various		X			

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		"Effective leadership is established for cluster and inter-agency coordination at global and operational levels". The annual reporting exercise also includes a specific requirement that UNHCR operations report on "partnerships — coordination and contributions", summarizing the main achievements and challenges in inter-agency coordination, including cluster leadership, participation in joint United Nations initiatives (such as the refugee coordination model) and the engagement of development actors in relation to the various population planning groups	population planning groups. However, this is more an outline of activity than a report on UNHCR progress against objectives under each cluster theme					
A/70/5/Add.6, chap. II, para. 82	The Board supports the plans of UNHCR to use its Focus system to better link costs and outcomes in each of its business sectors. UNHCR needs to take a tougher, clearer stance on the importance of information on costs and service performance, particularly on linkages between enrolment in education, delivery and retention, and the impact of achieving good-quality education qualifications. Without such information, fully informed judgments on the value for money achieved, or the cost-effective targeting of assistance, are not possible	While UNHCR operations carefully review linkages between financial investments and outcomes, UNHCR recognizes that there is room for further emphasis on the importance of cost-effectiveness, i.e., choosing the most effective combination of outputs to achieve maximum impact and ensuring that the identified outputs are executed in the most cost-efficient manner. These issues will be included in the deliberations of the working group referred to in response to the recommendation contained in paragraph 68 of the Board's report and will be reflected in the guidance framework.	This recommendation is under implementation. The Board notes that it is also related to the recommendation contained in paragraph 68, and thus again recommends that the Evaluation and Policy Analysis Unit be involved in developing this area		X			
A/70/5/Add.6, chap. II, para. 83	The Board recommends that UNHCR headquarters issue central guidance to country teams on cost-effectiveness criteria in education services as an	As indicated in response to the recommendation contained in paragraph 68 of the Board's report, a working group will develop a guidance framework to assist operations in undertaking consistent analysis of cost-effectiveness across sectors. While considerations	This recommendation is under implementation. The Board notes that this recommendation is also related to those contained in paragraphs 68 and 82		X			

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	aid to decision-making and resource allocation in education programmes	relating to cost-effectiveness will vary from sector to sector, it is deemed important that the guidance framework establish the main parameters and principles for the analysis, in order to avoid the development by functional units of a multiplication of approaches in isolation						
A/70/5/Add.6, chap. II, para. 85	The Board notes that there are many cases of steps being taken to establish sustainable solutions. It recommends that such innovations be assessed for their success and, where positive, learning shared. Such interventions could be tailored around the level of maturity of the country concerned (for example, the cohesiveness of UNHCR relationships with Governments and delivery partners such as the United Nations Children's Fund (UNICEF)).	UNHCR has begun to carry out assessments of innovations being implemented within the education programme. Good practices have been identified and assessed, and a compilation is currently being put together for dissemination to the field.	This recommendation should form part of this year's recommendation (see para. 126) regarding the need to rethink the approach to overseeing durable solutions so that it becomes embedded in delivery. Therefore, the Board considers this recommendation to be superseded.					X
A/70/5/Add.6, chap. II, para. 89	The Board recommends that, to be able to assess overall impact, UNHCR work towards collecting accurate data on retention and integration within national systems and define key performance metrics for all country offices.	Using existing systems and tools, and on the basis of lessons learned in the field to date, UNHCR is working to improve data management in education, including with respect to school retention and integration into national systems. Several field missions have been carried out to assess gaps in how data are collected and analysed, and sessions on data management have been included in workshops organized by the Education Unit. Data management improvement is being carried out in collaboration with the Division of Programme Support and Management and the Division of Information Systems and Telecommunications to ensure that the collection of education data is fully	The Board recognizes the activity carried out to develop guidance, and notes that it will be rolled out to all country offices. Therefore, the status of the recommendation will be "under implementation" until its full implementation and the measurement of results.		X			

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		integrated into UNHCR data management systems. The roll-out of field-level training sessions on data management has begun in 2015 with the development of training materials and a first workshop for countries in Eastern Africa, for UNHCR, partner and government staff. In addition, guidance on measuring the extent to which education is integrated into national systems has been developed and will be systematically disseminated to all country offices, including a checklist on key benchmarks for measuring progress on integration.						
A/70/5/Add.6, chap. II, para. 93	The Board recommends that UNHCR include human resources matters in the agenda at senior management meetings, thereby giving them visibility in terms of gender composition, recruitment times for ongoing and completed cases and skills gaps. The UNHCR senior management team should review comparable workforce data, as presented by the Board in table II.11 and annex II, to determine its optimal use of resources.	UNHCR has agreed to include human resources matters in the agenda at senior management meetings on a more regular basis. The Workforce Analysis and Business Intelligence Unit of the Division of Human Resources Management has developed a range of senior management dashboards with key workforce analytics (leadership, retirement, recruitment, etc.), allowing for the provision of regular and ad hoc reports to senior management. (a) The development by the same Unit of a new self-service analytical human resources reporting system is at an advanced stage, with go-live of the first phase of the project scheduled for the beginning of the third quarter of 2016; (b) Additionally, an analysis of flexible workforce arrangements in UNHCR was commissioned by the Division and was conducted under the leadership of the Deputy High Commissioner. It provides evidence-based recommendations on the most strategic and ethical use of affiliated personnel in the blended workforce of UNHCR. The first draft has been received, and its presentation before the Senior Management Committee is scheduled shortly; (c) Since the completion of the "framework for the future" (a review of	The Board has reviewed the dashboard supplied to senior management and is encouraged by the contents. That said, there are opportunities to provide further data that inform operational delivery, such as recruitment times and skills gaps. Furthermore, there are opportunities for senior management to review benchmark data, such as those presented in the Board's report for 2015, and to use that information to review the use of resources.		X			

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		gender equity, diversity and inclusion in UNHCR staffing), a senior management group on gender, diversity and inclusion has been established to take forward its recommendations. Overall, the Division has undertaken several initiatives and put in place new tools and processes for improving the visibility of senior management with regard to human resources matters as necessary to decision-making.						
A/70/5/Add.6, chap. II, para. 100	The Board recommends that UNHCR identify the staff mix and capabilities that are required in the future, in order to plan for where the organization will be in the medium and long term, and what its staffing needs will be. The human resources strategy should go some way towards supporting that aim. In addition, the workforce analysis and business intelligence unit should build up its understanding of the optimal composition of the workforce and the capabilities needed, in order to create a medium- and long-term staffing plan.	Successful completion of the MSRP upgrade will allow the Workforce Analysis and Business Intelligence Unit to expand its new analytical reporting system to include current and predict future skills mixes and capacities within the organization. This reporting system capability will be part of a second phase of the project, expected to be carried out in the first quarter of 2017. Strategic efforts led by the Strategic and Transformative Human Resources Service continued, on the basis of enhanced data analysis, with several senior management discussions organized (involving divisions and bureaux). A first application of the workforce planning occurred in the areas of (a) succession planning and (b) identifying the candidates for the certification programme for representatives (with the collaboration of Deloitte Touche Tohmatsu Limited).	The Board is encouraged by the work being done. This recommendation is under implementation.		X			
A/70/5/Add.6, chap. II, para. 104	The Board recommends that UNHCR learn lessons from staffing reviews, focusing on optimizing the use of resources. In conducting those reviews, UNHCR should engage with other United Nations offices to understand the extent to which core services can be shared across those offices in	UNHCR regularly conducts, on a yearly basis, structural and staffing reviews of a number of operations. These entail both analysis and modification, as needed, of the internal structure and related staffing of a UNHCR office in a specific country with a view to ensuring the optimal use of resources. In that context, as well as the size, scope and operational context, UNHCR explores whether, and the extent to which, certain common core services (such as security, telecommunications and the administration of common	The Board recognizes the work being done. This recommendation is superseded by that for this year (see para. 107). However, to further support the High Commissioner's message on the need to improve the effectiveness and efficiency of the UNHCR structure, the Board recommends that UNHCR				X	

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	the respective countries and regions, including opportunities to upskill national staff to fulfil new and wider roles aligned to strategic objectives	premises) can be shared with other United Nations agencies present in the countries/regions in question, where such sharing will add to quality/timeliness/cost-effectiveness In the context of the establishment of the UNHCR headquarters in Copenhagen, the Organizational Development and Management Service assessed the viability of common services shared with other United Nations agencies and analysed the cost-sharing arrangements relating to information technology, communications and security. An earlier review of the regional office in South Africa, conducted in 2013, also reviewed the use of common services, specifically in the area of travel services. However, the review of common core services is not a standard feature of the staffing and structural review carried out by the Service UNHCR remains committed to maximizing the potential of locally recruited staff members through appropriate upskilling, particularly staff in the National Professional Officer category, so that they are better able to perform functions currently carried out by internationally recruited staff members. In order to overcome existing external constraints, UNHCR will advocate enhancement of the use of National Professional Officers during a review by the International Civil Service Commission (ICSC) scheduled for 2016 In that context, it should be remembered that the National Professional Officer category was created in 1980 for functions in United Nations field offices that required national knowledge and experience and could not be carried out as effectively by international professionals. One of the main purposes was to assist national development and reinforce the capabilities of host Governments. According to ICSC regulations, National Professional	also include a review of the capacity of core services in operations across United Nations entities in its design of structural reviews					

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		Officers are still not permitted to perform regional and global functions, yet National Professional Officer positions cannot be encumbered by non-nationals either, even if they have permanent resident status or legal working rights in the country. In addition, such positions cannot be created at headquarters locations. UNHCR will continue to strongly advocate the consideration of a broader range of individuals (such as permanent residents and individuals with legal working rights in the country) for National Professional Officer positions. It will also support a revision of the currently restrictive "national development" objective, with a view to allowing locally recruited national officers to perform functions with regional and/or global content. In 2013, ICSC reported to the General Assembly that it intended to extend the comprehensive compensation review to other categories of staff, i.e., the National Professional Officer and General Service categories. This was noted by the Assembly in its resolution 69/251. Discussions have taken place on the wider use of National Professional Officers in their country of nationality or on a regional basis, given the changing landscape of organizations' activities. UNHCR considers this recommendation to be implemented; nevertheless, it will continue to study the matter in a holistic manner with the fullest participation of all stakeholders.					
A/70/5/Add.6, chap. II, paras. 113 and 114	The Board notes that UNHCR has an objective to consider how best to streamline the process, once the system upgrade has been completed in 2016. There are a range of options that could support that, and the	UNHCR will consider how to streamline the deployment process once the MSRP upgrade has been completed.	The Board recognizes the work being done. This recommendation is considered to be under implementation, pending the system upgrade.		X			

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	Board recommends that management consider (a) Limiting the number of posts staff can apply for, which should help to reduce the delays in sifting applications; (b) Establishing a roster system so that posts can be classified against generic job profiles, as far as possible aligning capabilities to posts and thereby reducing the volume of applications and the need for suitable candidates to go through the entire recruitment process; (c) Setting targets for the number of staff between assignments or beyond their assignment lengths; (d) Whether certain core or technical specialized functions are exempt from the mobility model, depending upon operational need. That should then free up time for the human resources team to start thinking in a more strategic way about the needs of the business.							
A/68/5/Add.5, chap. II, para. 68	The Board recommends that UNHCR (a) designate a senior risk officer with a clear mandate to implement the updated anti-fraud strategic framework; (b) perform a comprehensive fraud risk assessment to	In July 2013, UNHCR issued a revised strategic framework for the prevention of fraud and corruption to serve as a transparent and user-friendly reference for awareness, advocacy and implementation of preventive measures with the aim of minimizing fraud and corruption within the organization. Under the sponsorship of the Deputy High Commissioner, the Controller has been	The Board considers that part (a) of the recommendation is implemented and recognizes that progress, including the preparation of strategic and corporate risk registers, is being made on the implementation of parts	X				

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	identify its main areas of risk exposure; and (c) define its tolerance for the different types of fraud risk identified	tasked with leading the implementation of the framework. In that respect, UNHCR has initiated a dedicated fraud and corruption prevention project. As part of the project, a cross-functional working group has been established, with broad representation from the field and headquarters, to develop an implementation plan to improve existing measures and/or develop new procedures where needed, and to increase fraud awareness within the organization. The outputs of the project are expected to be delivered progressively throughout 2015 and 2016. It is also to be noted that the first structured risk assessment for field offices was launched in 2014 and was completed in the first quarter of 2015. The results of the country fraud risk assessments have informed the corporate fraud risk register. On the basis of those results, UNHCR has identified the most relevant fraud risks at the corporate level and is now assessing whether the mitigating measures are in place. UNHCR must determine the impact of these fraud risks on its objectives and decide how best to allocate resources for fraud prevention and detection. UNHCR has also established its corporate risk register within the enterprise resource management framework. This register routinely captures fraud-related risks as a summary on the basis of the detailed fraud risk assessment elaborated in the context of the fraud prevention project. The UNHCR strategic risk register also captures one fraud-related risk. A draft fraud prevention manual is under development with the assistance of a consultant. The draft is almost completed and is currently under review by the members of the fraud prevention project working group. Draft content for the e-learning course	(b) and (c) The Board considers these recommendations to have been addressed, as noted above, but also through the outputs and actions pertaining to the recommendation contained in paragraph 31 of chapter II of A/70/5/Add.6.					

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		has been developed and is now under final review by various stakeholders. Once it has been approved, the Global Learning Centre of UNHCR will design an interactive learning module based on that content which will be made available online to all UNHCR staff. It is intended to become a compulsory training module on fraud awareness and prevention (of about one hour's duration) for staff at all levels. UNHCR is also exploring ways to make it available to partners. On the basis of the survey of country offices regarding fraud risks and as a result of the work of the fraud prevention working group, a number of fraud risks relevant to the corporate level (including those related to partners) have been identified and captured in a draft UNHCR fraud risk register. Work is now ongoing to review and document the mitigation measures and the identified gaps. The risks captured in the register have informed the development of examples for e-learning (see above) and have been addressed in various chapters of the fraud prevention manual (see above).					
A/66/5/Add.6, chap. II, para. 114	The Board recommends that UNHCR review the various approaches to project tracking across its network in order to identify best practices with wider applicability and assess compatibility with the corporate information technology strategy.	Owing to a number of difficulties encountered in the upgrading of Focus, UNHCR is reviewing alternative solutions that will enhance project tracking, the recording of progress and operability with the existing database.	The Board notes the latest status of this recommendation, considering it to remain under implementation.		X			
A/68/5/Add.5, chap. II, para. 76	The Board recommends that UNHCR require country representatives to conduct fraud risk assessments in relation to all implementing partners as part of its overall risk-based	In July 2013, UNHCR issued its strategic framework for the prevention of fraud and corruption to serve as a transparent and user-friendly reference for awareness, advocacy and implementation of preventive measures with the aim of minimizing fraud and corruption within the organization. The framework requires that managers perform a comprehensive	The Board considers these recommendations to have been addressed, as noted in the related recommendations above. The Board refers to the outputs and actions pertaining to the recommendation contained	X				

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	approach	fraud risk assessment, including with respect to activities implemented through partners. In addition, UNHCR is developing a guidance note on project risk management, with further guidance on assessment (including fraud risks) for projects implemented by partners, the establishment of appropriate controls for the prevention of fraud and enhancement of the requirements relating to ethical conduct by partner personnel. In a 2013 revision of the standard project partnership agreements, UNHCR already inserted specific and strict clauses on anti-corruption and anti-fraud practices that, if not observed by the partners, may lead to the termination of the agreement. Furthermore, UNHCR is currently undertaking a fraud prevention project that, among other things, analyses the risks associated with partnerships. The project will also address the aspects of fraud prevention in relation to implementing partners, with a view to awareness-raising and training for field offices on potential risk areas and red flags for implementation through partners. A draft fraud prevention manual is under development with the assistance of a consultant. The draft is almost completed and is currently under review by the members of the fraud prevention project working group. Draft content for the e-learning course has been developed and is now under final review by various stakeholders. Once it has been approved, the Global Learning Centre of UNHCR will design an interactive learning module based on that content, which will be made available online to all UNHCR staff. It is intended to become a compulsory training module on fraud awareness and prevention (of about one hour's duration) for staff at all levels. UNHCR is also exploring ways to make it available to	as paragraph 31 of chapter II of A/70/6/Add.6					

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		partners. On the basis of the survey of country offices regarding fraud risks and as a result of the work of the fraud prevention working group, a number of fraud risks relevant to the corporate level (including those related to partners) have been identified and captured in a draft UNHCR fraud risk register. Work is now ongoing to review and document the mitigation measures and the identified gaps. The risks captured in the register have informed the development of examples for e-learning (see above) and have been addressed in various chapters of the fraud prevention manual (see above).						
A/68/5/Add.5, chap. II, para. 105	The Board recommends that UNHCR include in the new fleet management manual guidance on how to assess alternatives to the use of distant garages when remote servicing can result in excessive mileage, extended vehicle downtime and high transit costs. Guidance should include requirements for: (a) Periodic testing of local markets for the availability of closer commercial maintenance facilities of the requisite standard; (b) Periodic review of the scope for United Nations agencies, non-governmental organizations and implementing partners to procure maintenance collectively, to leverage greater bargaining	In June 2015, UNHCR issued its "fleet handbook" (Operational Guidelines for the Management and Use of UNHCR Vehicles (UNHCR/OG/2015/9)), which addresses the requirements for adequate repair and maintenance. The approach to managing the repair and maintenance of vehicles in UNHCR will be developed in the next phase of the global fleet management project, which began in early 2015 and is expected to be completed by the end of 2016. The project is on track. The team leader for the maintenance and repair initiative has taken up his post in Budapest, and a request for information related to global services for repair and maintenance was launched in the second quarter 2015. On the basis of the responses, a request for proposal was launched in 2015. A contract is expected to be in place by the first quarter of 2016, with roll-out to begin then. The maintenance and repair request for proposal has been completed and was sent to the Procurement Service for launching in November 2015. This is progressing according to plan, and the closing date for the request for proposal was 31 January 2016. It is expected that	The Board has seen the fleet management manual and the broader plans of the global fleet management project, and considers this recommendation to be on track for completion by the end of 2016.		X			

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	power or attract reliable operators to open facilities nearby; (c) Consideration of the maintenance of a stock of oil and filters at the field office level to enable the most basic (category A) servicing to take place in the field	one or several new service providers will be contracted in 2016 and that preparation for the field implementation of the maintenance and repair project can begin in 2016, with an official launch in 2017 UNHCR continues its evaluation of vendors, contract negotiations and the practical implementation of the project. It is expected that field implementation on a limited scale will begin before the end of 2016. A policy will be issued shortly establishing procedures and responsibilities for the maintenance and repair of UNHCR-operated and -controlled vehicles, generators and other motorized equipment					

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A/68/5/Add.5, chap. II, para. 109	The Board recommends that as part of the global fleet management project, UNHCR develop a vehicle safety section within the fleet management manual (a) emphasizing the need for the proactive management of vehicle safety in the country offices, and (b) requiring the quarterly analysis of driver performance on the basis of satellite tracking data, such as excessive maximum and average speeds, excessive driving hours and vehicle use outside working hours.	In June 2015, UNHCR issued its "fleet handbook" (Operational Guidelines for the Management and Use of UNHCR Vehicles), which includes a section on vehicle safety. This was further supported by an organization-wide "Safe Road Use" campaign that was successfully launched on 10 June 2015 to further strengthen UNHCR efforts on road safety. Finally, UNHCR issued the policy on global fleet management vehicle tracking, covering safety aspects. UNHCR has implemented tracking devices in all vehicles being rented out under the global fleet management scheme to replace vehicles managed by the field. It is expected that the majority of UNHCR vehicles will be equipped with tracking devices by the end of 2016, with all of them so equipped by the end of 2018. The number of vehicles in which tracking devices have been installed now stands at 2,038, which represents 35 per cent of the UNHCR fleet worldwide. UNHCR considers part (a) of this recommendation to be implemented. In respect of part (b) of the recommendation, UNHCR has developed key performance indicators for fleet management that measure, among other things, driver performance. As indicated above, as soon as a sufficient number of global fleet management vehicles equipped with tracking devices have been rolled out to a particular country office, the reports recommended by the Board will be available for that office. In 2015, UNHCR began roll-out of the fleet management training, which enables operations to generate reports on driver performance. Fleet management training will continue throughout the period 2016-2018. Reports for tracking driver behaviour are already available at the field level, and 20 country offices have been trained in	The Board has seen the fleet management manual and the broader plans of the global fleet management project, and considers that UNHCR has progressed well in implementing the recommendation. The Board therefore considers the recommendation to be implemented.	X				

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
		the use of the vehicle tracking system UNHCR has completed comprehensive fleet management training for offices in four locations (the Democratic Republic of the Congo (for senior management), Ghana, Nepal and Kosovo). In 2016, it is expected that fleet management training will be ramped up progressively and that by year-end it will have been completed in an additional 20 locations. The "Safe Road Use" campaign will continue, with the implementation of six more workshops planned in 2016. The workshops are funded by insurance contributions. In addition, a kit for self-training in the field, called "Event in a Box", will be rolled out. UNHCR hopes to sign a partnership agreement with an external partner for the provision of further training and/or assistance to countries that are willing to pay for it from their own budgets. The road safety effort is a long-term endeavour that will continue for many years to come					
A/69/5/Add.6, chap. II, para. 30	The Board recommends that UNHCR evaluate the performance of the biometric registration procedures implemented in Jordan, with a view to concluding its work to provide a standard global system for the biometric identification and registration of refugees	UNHCR has drawn upon its experience with the current solution in the Syrian situation and applied it to its operations in Chad and Thailand. Lessons learned include the importance of tracking false match and false non-match rates within the system, the requirement for integrating the biometric identity management system (BIMS) with proGres V3, the need for local servers to support offline disconnected environments, and the need for cheaper and more flexible biometric capture devices. UNHCR will ensure that these are fully taken into account in the development of the global biometric registration procedures	The Board has reviewed the evaluation report on biometric registration, however, it notes that this review held limited cost/benefit data to inform the development of BIMS by UNHCR. The Board makes a recommendation in the report for 2015 on the need to implement a benefits realization process for BIMS, therefore, the status of the recommendation is "overtaken by events"			X		
A/69/5/Add.6, chap. II, para. 36	The Board recommends that UNHCR explore whether greater use could be made of partner agreements extending beyond	Flexibility is already being exercised in allowing extension of the implementation period of partner agreements, depending on the availability of funds and operational requirements. This flexibility could be further enhanced if donors would subscribe to a reliable and firm	The Board notes the consideration given to extending partnership agreements beyond 12 months and the constraints under which UNHCR works. The Board		X			

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
	12 months.	commitment to multi-year funding to allow for the planning, implementation and conclusion of agreements beyond 12 months. UNHCR will continue to apply flexibility on an exceptional basis in relation to those specific activities for which multi-year funding has been secured. However, UNHCR is currently faced with the following constraints in extending partnership agreements beyond 12 months: (a) donor contributions are normally pledged for a year; (b) its organizational budget is approved on an annual basis; and (c) it needs to maintain flexibility to be able to respond to existing and newly arising emergency situations. UNHCR has carried out an analysis of the feasibility of multi-year agreements and, as part of that process, also verified the practices adopted by other United Nations agencies. On the basis of that analysis, UNHCR has noted that, out of the total contributions received by UNHCR, the percentage of the amount committed and earmarked by donors for multi-year activities is comparably small. In addition, the needs of operations in the field demand frequent changes in partnerships. Consequently, given the constraints identified above and the risks associated with this approach, UNHCR has concluded that, while some degree of flexibility could be exercised on a case-by-case basis as explained above, it cannot adopt a standard practice of entering into multi-year agreements with partners.	encourages the use of flexibility, if possible, on a case-by-case basis but acknowledges that that may not always be feasible. The Board therefore acknowledges that UNHCR cannot adopt a standard practice of entering into multi-year agreements with partners and considers this recommendation to be implemented.					
A/69/5/Add.6, chap. II, para. 45	The Board recommends that UNHCR evaluate the costs and benefits of basing the regional bureau in Amman to determine whether any lessons can be learned for existing or future	A joint Organizational Development and Management Service/Middle East and North Africa Bureau mission to the Middle East took place at the end of January 2016, interacting with senior officials in the Director's Office in Amman as well as with several UNHCR country operations. The review is expected to be completed by the end of	The Board recognizes the progress being made and notes that the review is overdue and that the Board will need to consider the review's findings once they are complete. The status of this recommendation is "under		X			

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
	operations.	the first quarter of 2016.	implementation".					
A/69/5/Add.6, chap. II, para. 50	In view of the success of the initiative in the Syrian Arab Republic, the Board recommends that UNHCR explore the scope for wider use of online geographical information systems such as ActivityInfo.	During the review process in 2015, UNICEF, the pioneer of the ActivityInfo tool in the Democratic Republic of the Congo, found that the tool was insufficient to handle all its requirements and decided to further enhance it in 2016. UNHCR will continue its collaboration with UNICEF on this endeavour as well as plans to complete its piloting by the end of the first quarter of 2017 (to follow the operation's management cycle phases). Given those developments, the estimated time frame for the comprehensive review that includes the analysis of the pilot results has been shifted to the end of the first quarter of 2017.	The Board notes the latest status of this recommendation and would welcome information on the pilot exercise, alongside how geographical information systems could be and are being used more widely. The status of this recommendation will remain "under implementation" until the completion of the pilot.		X			
A/69/5/Add.6, chap. II, para. 56	"The Board, given the major scale of the UNHCR Jordan cash programme and the plans to expand it to other countries, recommends that UNHCR commission an independent expert evaluation of the programme, with the aim of reporting before the end of 2014."	UNHCR commissioned an independent evaluation of the organization's response to the refugee influx in Jordan and Lebanon. The evaluation has been finalized and is now available on the UNHCR public website. Other studies continue in the implementation phase, including an analysis by the Norwegian Refugee Council of the cash-based distribution of non-food items in refugee camps in Jordan; an Oxfam International report on the impact of cash distributions on Syrian refugee households in host communities and informal settlements in Jordan; and a UNHCR study on coping mechanisms among Syrian refugees in four countries in the region. Although rich in information, those studies did not provide sufficient grounds or insights to substitute for an independent evaluation of the cash assistance programme in Jordan. Terms of reference for this evaluation have been drafted and shared with the UNHCR office in Jordan for comments. It is anticipated that the evaluation will be tendered and contracted soon and that the work will be completed by the third	The Board has reviewed the evaluation and recognizes its limitations. The Board expects the Evaluation and Policy Analysis Unit to be involved in the design of the terms of reference for the independent evaluation. The status of this recommendation remains "under implementation".		X			

Report reference	Summary of recommendation	Administration comments on status, May 2016	Board comments on status, June 2016	Fully implemented	Under implementation	Not implemented	Overtaken by events	Closed by the Board
		quarter of 2016						
A/69/5/Add.6, chap. II, para. 86	The Board recommends that UNHCR issue central guidance to country teams on cost-effectiveness criteria in health services as an aid to decision-making and resource allocation in health programmes.	UNHCR will develop guidance for country teams on cost-effectiveness criteria as recommended by the Board, using published international data and best practices. In the last quarter of 2015, after a review of the draft guidelines, it was concluded that a more detailed financial analysis of all health programmes was required in order to address this recommendation. The financial analysis will be conducted from February to April 2016 by an expert health economist. Following that analysis and review, the operational guidance will be finalized and issued by June 2016.	The Board notes the activity being undertaken and that it should be aligned with the work referred to in paragraph 55 of chapter II of A/70/5/Add.6. This recommendation remains under implementation.		X			
A/69/5/Add.6, chap. II, para. 101	The Board recommends that UNHCR issue updated guidance to clarify the circumstances in which implementing partner agreements are unsuitable and commercial procurement may be more appropriate.	The criteria and the circumstances under which procurement should be carried out either through partners or directly through commercial providers have already been introduced through the policy and guidance note on the selection and retention of partners, issued in 2013 (IOM/FOM/052/2013), which established the criteria and the process in which UNHCR evaluates the suitability of partners for specific operational requirements, such as procurement. Those criteria include cost-effectiveness and the experience and expertise of partners. UNHCR offices are further guided by the note on procurement by partners with UNHCR funds, issued in 2014 (UNHCR/HCP/2014/11), on the basis of which a UNHCR office is required to undertake due diligence measures, among others, documenting a cost/benefit analysis before designating procurement to a partner. Such analysis should determine whether procurement by a partner would have a comparative advantage over direct implementation (when UNHCR would proceed with the commercial procurement of goods or services). Requirements to conduct a cost/benefit analysis to select the most viable and efficient implementation	The Board considers that this recommendation is now implemented following the review of new partner guidance at headquarters and at two of the country offices.	X				

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		arrangement have also been included in the instructions on detailed planning and budgeting for 2014 and 2015 (see IOM/FOM/063/2013, para. 33, and UNHCR/AI/2014/17, para. 4.36). UNHCR has also issued an updated chapter 4 of the UNHCR Manual, which deals with aspects of programme implementation. The chapter guides operations with regard to various factors that should be considered in determining best-fit implementation arrangements (chap. 4, sect. 4.4). UNHCR therefore considers this recommendation to be implemented.						
A/69/5/Add.6, chap. II, para. 105	The Board, in order to strengthen the implementing partner selection process, recommends that UNHCR: (a) Enhance its due diligence procedures with regard to the initial vetting of partners to include reference checks where appropriate; (b) In consultation with other United Nations agencies and the wider humanitarian community, develop mechanisms to share intelligence on implementing partners.	In July 2013, UNHCR issued a detailed policy for the objective and transparent application and selection of partners for undertaking projects with UNHCR funds. In addition, UNHCR launched an innovative and interactive web-based partner portal in May 2015. The portal is a web-based tool for enhanced communication that requires partners to register and present their profile and thus aids in the vetting of partners. It has dashboards for tracking and maintaining up-to-date views on the funds disbursed to partners. The portal also contains information on UNHCR policies, procedures and guidance for the effective application of the enhanced framework for implementing with partners. It provides a forum for issuing calls for expressions of interest for projects to be undertaken by potential partners. Interested partners may respond by presenting a concept note to apply for such calls. UNHCR and partners are being trained in the use of the portal. The United Nations country team, which includes UNHCR, discusses and shares major incidents of unacceptable behaviour by partners. UNHCR, the United Nations Development Programme (UNDP), UNICEF and the United Nations Population Fund discuss mechanisms for sharing partner	The Board has noted progress in the introduction of the partner portal and the efforts made to collaborate with other bodies in respect of sharing and disseminating intelligence with respect to working with partners. The Board therefore considers this recommendation to be implemented.	X				

Report reference	*Summary of recommendation*	*Administration comments on status, May 2016*	*Board comments on status, June 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
		information. UNHCR participated in a meeting of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination in October 2014, at which discussions were held on the harmonized system-wide approaches to fraud perpetrated by implementing partners. The Inspector-General's Office of UNHCR is also taking part in inter-agency discussions on sharing fraud-related information as part of its participation in various forums such as the Conference of International Investigators, which brings together investigators from the United Nations and other agencies from around the world (including the European Anti-fraud Office, the World Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the Office of Internal Oversight Services, UNDP, UNHCR, the World Intellectual Property Organization, the World Health Organization, the Food and Agriculture Organization of the United Nations and the European Investment Bank) to discuss issues of common concern in the field of investigations and corruption, as well as the United Nations Representatives of Investigative Services, which is a new body that seeks to strengthen investigation practices and professionalism in the United Nations system. In the light of these actions, UNHCR considers this recommendation to be implemented					
	Total			**6**	**25**		**3**	
	Percentage			**18**	**73**		**9**	

Chapter III

Statement of the responsibilities of the High Commissioner and approval and certification of the financial statements

Letter dated 31 March 2016 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the High Commissioner.

To fulfil this responsibility, the Office of the High Commissioner operates within prescribed accounting policies and standards, and maintains systems of internal accounting controls and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the Board of Auditors during their respective audits.

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10) and the International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

(*Signed*) Linda **Ryan**
Controller and Director
Division of Financial and Administrative Management

Chapter IV
Financial report for the year ended 31 December 2015

A. Introduction

1. The United Nations High Commissioner for Refugees has the honour to submit the financial report and financial statements on the accounts of the voluntary funds administered by him for the year ended 31 December 2015, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and article 11 of the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10).

2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the global refugee programme and the global stateless programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Working Capital and Guarantee Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.

3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and the search for durable solutions. UNHCR has also been mandated to address the problems of other groups, including refugees who have returned to their homelands and stateless persons. UNHCR also responds to the humanitarian and protection needs of internally displaced persons. As part of the collaborative approach of the United Nations system to internal displacement, UNHCR has been given lead or co-lead responsibility for the clusters for protection, emergency shelter, camp coordination and camp management. This work is carried out under the overall coordination of the United Nations Emergency Relief Coordinator and with the consent of the State concerned.

5. During the reporting period, UNHCR continued to carry out its mandate as outlined above. In 2015, UNHCR worked with Governments and partners to strengthen the protection of displaced persons against violence and by assisting them with documentation to access rights and services. High priority was given to the protection of women and girls from sexual and gender-based violence and for finding appropriate protection-sensitive care arrangements for unaccompanied and separated children. Important steps forward were also taken in the area of education; an additional 260,000 children were able to access formal schooling under the "Educate A Child" programme and there was better integration of refugee children into national education systems in some countries.

6. UNHCR was actively engaged in the inter-agency response to the five ongoing system-wide emergencies (Level 3) in the Syrian Arab Republic, Iraq, the Central African Republic, South Sudan and Yemen, while at the same time leading and coordinating the emergency response to refugees fleeing into the surrounding countries. Moreover, UNHCR also responded to emergency situations in countries affected by the crises and unrest in Burundi and Nigeria. UNHCR provided support to European Governments dealing with the sudden large-scale movement of refugees, mainly from the Syrian Arab Republic, Iraq and Afghanistan. The numerous emergency situations put a great strain on response capacity of UNHCR, but the Office managed to provide effective emergency support to the operations through a reinforced institutional emergency response capacity, which managed some 460 emergency deployments by UNHCR staff and standby partners.

7. Working in partnership with Governments, intergovernmental organizations and non-governmental organizations remained essential for UNHCR to be able to deliver protection and assistance efficiently and effectively. The Office also strengthened its partnerships with development actors to assist Governments in coping with the arrival and presence of refugees in regions with limited infrastructure and resources, and in achieving lasting solutions. UNHCR programmes were developed on the basis of participatory assessments undertaken using a representative cross-section of the refugee populations and others who benefited from its activities, in line with the Office's age, gender and diversity approach.

8. UNHCR has been focusing on new approaches in order to strengthen refugees' resilience and self-reliance. Working with governments and partners in Burkina Faso, Chad, Ethiopia, Kenya, Rwanda and Zambia, UNHCR has assisted refugee artisans, pastoralists and farmers in participating in the economy of their host communities and, where feasible, has linked them to other markets and opportunities. UNHCR in its operations has also been engaged in advocating for identifying alternatives to camps, wherever possible. Good progress was made in a number of countries to include refugees in national public services and enhance their self-reliance.

9. By the end of 2015, the total population of concern to UNHCR had reached some 64 million persons. This figure included 16.1 million refugees, 3.2 asylum seekers, 37.5 million internally displaced persons protected or assisted by UNHCR, 3.7 million stateless persons and 870,000 other persons of concern. In addition, during the year, just over 200,000 refugees were repatriated and 2.3 million internally displaced persons returned to their places of origin.

10. In 2015, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to $7,232.4 million ($6,569.7 million in 2014). Against total available funds of $3,706.8 million ($3,603.1 million in 2014), UNHCR implemented activities in the amount of $3,294.8 million ($3,355.4 million in 2014) (see table IV.1). The delivery of services to persons of concern has been based on its global strategic priorities: a favourable protection environment, fair protection processes and documentation, security from violence and exploitation, basic needs and services, community empowerment and self-reliance, and durable solutions.

C. Financial analysis

11. The financial position of UNHCR at year-end and the annual financial performance since 2012 (when UNHCR first adopted financial reporting on an accrual basis, in accordance with IPSAS) are summarized in the table below.

Financial position and financial performance, 2012-2015
(Millions of United States dollars)

	2012	*2013*	*2014*	*2015*
Total assets	1 681	2 226	2 000	2 315
Total liabilities	647	697	883	859
Net assets	**1 034**	**1 529**	**1 117**	**1 456**
Revenue	2 437	3 165	3 056	3 582
Expense	2 323	2 704	3 360	3 279
Surplus/deficit	**113**	**460**	**(305)**	**303**

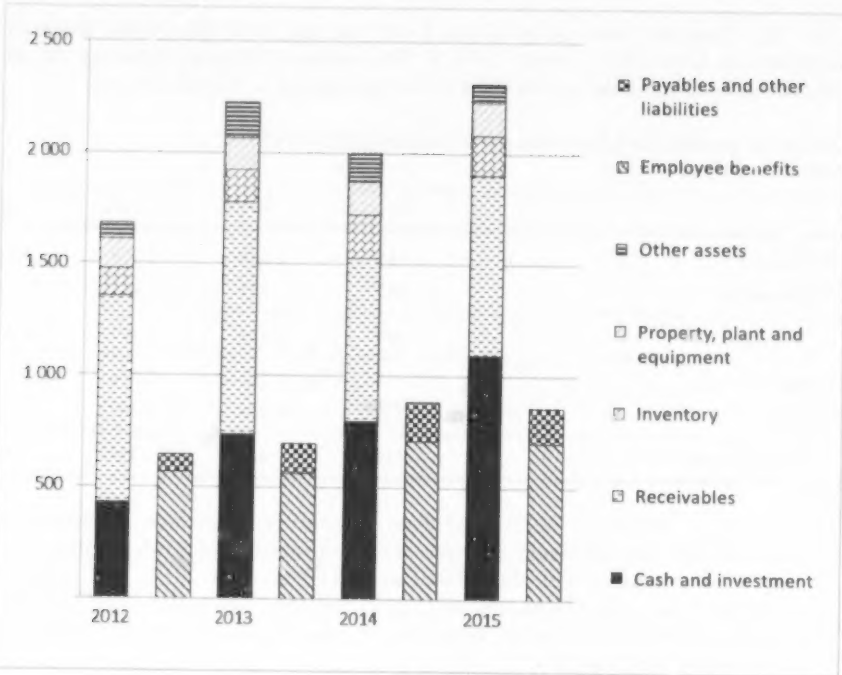
12. As at 31 December 2015, total fund balances and reserves amounted to $1,456.1 million (see statement I), representing an increase of $339.5 million (or 30.4 per cent) compared with the balance as at 31 December 2014. This increase was a result of the performance surplus of $303.5 million (see statement II) and the gain arising from the actuarial valuation of after-service health insurance of $36 million (see statement III).

13. The fund balances and reserves comprise the accumulated fund balances and reserves ($2,011.9 million), the Working Capital and Guarantee Fund ($50.0 million), the Medical Insurance Plan ($36.6 million) and the Staff Benefits Fund (net liability of $642.4 million).

14. The accumulated fund balances and reserves include the operational reserve ($10.0 million), the new or additional mandate-related activities reserve ($20.0 million), the Reintegration Projects Fund ($36.4 million), the Internally Displaced Persons Projects Fund ($170.2 million), the United Nations Regular Budget Fund ($3.9 million) and the Junior Professional Officers Fund ($14.8 million), as detailed in note 3.11.

15. The composition of the assets and liabilities of UNHCR for the year-end of 2012-2015 is depicted in figure IV.I below by main category.

Figure IV.I
(Millions of United States dollars)



16. As at 31 December 2015, financial instruments such as cash, investment and receivables accounted for 82.1 per cent of the total of assets, most of which are current assets. Employee benefit obligations accounted for 81.7 per cent of total liabilities, largely pertaining to long-term obligations.

17. The table below provides some key financial ratios as at 31 December 2015 compared with those as at 31 December 2014.

	As at 31 December 2015	*As at 31 December 2014*
Current assets to current liabilities	8.61	6.87
Total assets to total liabilities	2.69	2.26
Cash and cash equivalents to current liabilities	3.95	2.66

18. The current ratio (current assets to current liabilities) is a liquidity ratio reflecting the balance between those assets that will materialize within the next 12 months and those liabilities/payments that the organization needs to settle within the next 12 months. The higher the current ratio is, the more capable the organization is of meeting its obligations. At the end of 2015, the current ratio was 8.61. This needs to be seen in the context of the specific activities performed by UNHCR. In general, entities that have control over the timing of revenue generation attempt to synchronize the generation of liabilities with the pattern of revenue; therefore, a straight comparison between current asset and current liability provides

a good indication of the ability of the entity to meet its current obligations. In the case of UNHCR, much of the revenue recognized as receivable over the next 12 months is pledged when the annual pledging conference takes place, just before year-end. The contribution pledges are generally based on a budget designed to match the budgeted costs of delivering programmes for the same period. However, the budgeted projection of expenses does not constitute a liability, resulting in a mismatch in the timing of recognition of the revenue and assets and the corresponding liabilities. This mismatch produces a higher current ratio than would be the case if the revenues pledged were matched with the costs of programmes they were intended to fund. The increase in the current ratio is a result of the increase in financial instruments as at 31 December 2015 compared with the prior year-end.

19. As at 31 December 2015, the total amount of cash and short-term investment was $1,092.9 million, an increase of $293.6 million compared with $799.2 million in 2014. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Junior Professional Officers Fund, the cash and short-term investment available for operational activities amounted to $942.2 million ($658.2 million in 2014). This covers approximately 3.4 months of operational needs on the basis of average monthly expenses in 2015.

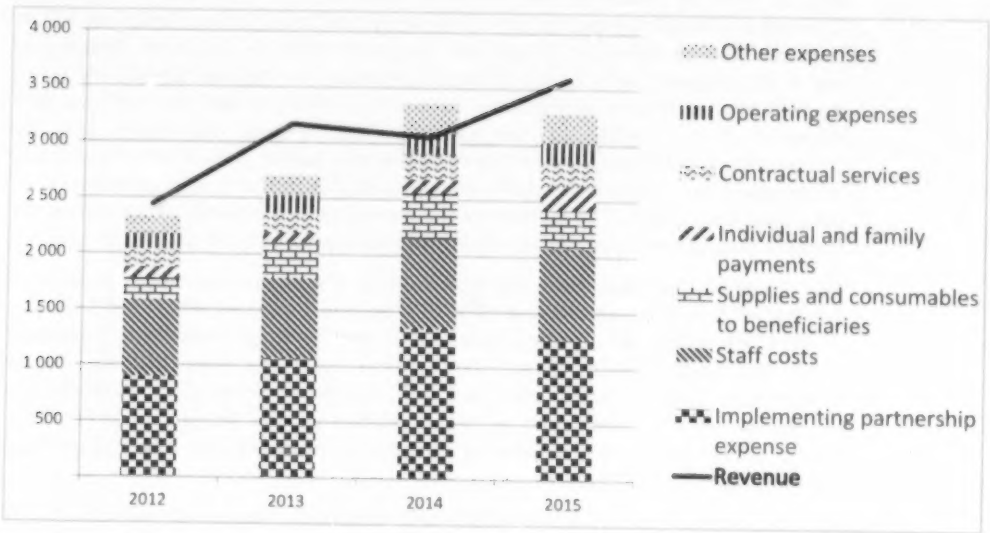
20. The increase in the cash and short-term investment balance at year-end 2015 is attributed to an unexpected surge in cash inflows during the fourth quarter of 2015 compared with the cash inflows observed in 2014. For the first three quarters of 2015, UNHCR experienced a decline in funds available compared with 2014 and adjusted the forecast of funds available and budgets accordingly. The unfolding refugee crises in Europe resulted in an unforeseen surge of cash inflows during the fourth quarter of 2015. The programmes implemented by UNHCR in response to the crisis did not immediately result in cash outflows during the fourth quarter of 2015, thus resulting in the significant increase of cash and investment balances at year-end. By the time of the certification of the financial statements (31 March 2016), the balance of cash and investments had been reduced to $785.7 million ($532.6 million as at 31 March 2015) from the amount of $1,092.9 million as at 31 December 2015.

21. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses) of $303.5 million compared with a deficit of $304.6 million in 2014.

22. The significant change in the annual result in comparison with 2014 is due mainly to the increase in the monetary contributions received in respect of the current year, as well as from the timing when UNHCR recognizes the voluntary contributions under IPSAS. Rather than recognizing the contributions donated "for" a given budgetary year in that same year (financial year), all contributions pledged in a given financial year are recorded as revenue of that financial year, irrespective of the year of the budget against which expenses are intended to be incurred. A secondary factor was the reduction in expenses during 2015 owing to the earlier reduction in funds available during the first three quarters of 2015.

23. Figure IV.II below depicts the revenue and expenses for 2012-2015.

Figure IV.II
(Millions of United States dollars)



24. The total revenue for 2015 was $3,582.3 million, an increase of $526.4 million, or 17.2 per cent, from 2014. Voluntary contributions from donors, including in-kind contributions, amounted to $3,514.3 million, accounting for 98.1 per cent of total revenue, of which those relating to future years (2016-2019) amounted to $763.8 million.

25. The total expenses for the financial period amounted to $3,278.9 million, a decrease of 2.4 per cent compared with 2014 ($3,360.5 million). Statement V presents the 2015 expenditure of $3,294.8 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2014 in annual expenses reported in statement II for 2015 are explained in the paragraphs below.

26. Expenses pertaining to agreements signed with implementing partners, amounting to $1,260.8 million, decreased by 6.5 per cent compared with 2014 ($1,348.1 million).

27. Expenses for supplies and consumables for beneficiaries, amounting to $344.5 million, decreased by 16.5 per cent compared with 2014 ($412.8 million), reflecting the lower distribution of bedding materials, clothing and hygienic and other supplies.

28. Expenses against individual and family payments to beneficiaries, amounting to $214.6 million, increased by 73.0 per cent compared with 2014 ($124.1 million).

29. The year 2015 continued to be characterized by historically low interest rates in respect of the United States dollar and the euro. This state of affairs, together with the organization's investment management objective of emphasizing capital preservation and liquidity over the rate of return, explains the modest interest revenue of $1.8 million ($1.8 million in 2014) generated during the year.

30. The distribution of the surplus for 2015 is shown in the statement of changes in net assets (statement III). The revenue for 2015 included the recognition of $763.8 million relating to monetary contributions and pledges from donors recorded and recognized in 2015 but intended for future-period activities (2016-2019), as shown in table 5.1.2. Furthermore, UNHCR had legal commitments (open purchase orders) of $341.7 million as at 31 December 2015 for goods and services to be received, as well as cash assistance to beneficiaries to be released in early 2016. Accordingly, some of the revenue recognized in 2015 will only be matched by expenses to be incurred during 2016 and subsequent years.

D. Programme budget performance highlights

31. While the financial statements have been prepared on an accrual basis, the programme budget of UNHCR continues to be formulated and presented on a modified cash basis. Therefore, for the purpose of budgetary management and performance analysis, expenses are translated into an equivalent basis. A summary of the comparison of budget and actual amounts is shown in statement V.

32. All figures quoted in the present section as expenditure, income or funds available refer to modified cash basis figures, comparable with budgets and exclusive of the Working Capital Fund, the Staff Benefits Fund, the Medical Insurance Plan and any special accounts held during the period.

33. The global needs assessment budget of UNHCR is formulated on the basis of assessed needs, which is a unique feature within the United Nations system of organizations. An assessment of the needs of persons of concern to UNHCR serves as the basis for the formulation of the programme budget.

34. Subsequent to the approval of the budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes and projects on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the budget with supplementary budgets, in accordance with UNHCR financial rule 7.5, to meet new or additional needs arising in the course of the same period.

35. The original budget for 2015 approved by the Executive Committee at its sixty-fourth session (ending in October 2013) amounted to $5,179.5 million. Subsequently, at its sixty-fifth session (ending in October 2014), the Executive Committee approved the revised budget for 2015 amounting to $6,234.4 million. The final budget for 2015 amounted to $7,232.4 million, representing the sum of the approved revised budget and the supplementary budgets established by the High Commissioner. The supplementary budgets established in 2015 amounted to $1,156.4 million and pertained to responses for the situations in the Bay of Bengal, Burundi, Iraq, Nigeria, Pakistan (for North Waziristan), South Sudan, Ukraine and Yemen, as well as for the crisis in Europe and the Ebola emergency. In addition, there was a reduction of $158.4 million for the Syrian situation involving Iraq, Jordan, Lebanon, the Syrian Arab Republic and Turkey, owing to a reduction in needs.

36. Since the introduction of the global needs assessment budget in 2010, requirements have reflected a steady increase, reaching $7,232.4 million in 2015, a 10 per cent increase compared with 2014 (see figure IV.III).

Figure IV.III
Requirements, 2010-2015
(Millions of United States dollars)

	2010	2011	2012	2013	2014	2015
Requirements	3 288.7	3 821.7	4 255.6	5 335.4	6 569.7	7 232.4
Annual increase	–	16.2%	11.4%	25.4%	23.1%	10.1%

37. The resource requirements of UNHCR are grouped under each of the four main programme pillars: global refugee programme (pillar 1), global stateless programme (pillar 2), global reintegration projects (pillar 3) and global internally displaced persons projects (pillar 4).

38. Table IV.1 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1.[12] The difference between the total requirements for 2015 (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR in 2015, amounting to $3,525.6 million.

[12] Some of the totals presented in the tables of the present chapter may not add up because of rounding.

Table IV.1
Total requirements, funds available and expenditure, 2015
(Millions of United States dollars)

	Pillar 1[a]	*Pillar 2*	*Pillar 3*	*Pillar 4*	*Total*
Total requirements (global needs assessment budget)	5 501.7	75.7	242.1	1 412.9	7 232.4
Funds available	3 011.1	34.1	85.9	575.6	3 706.8
Expenditure	2 634.7	32.1	82.8	545.2	3 294.8
Carry-over	376.4	2.0	3.1	30.4	411.9
Expenditure on total requirements (percentage)	48	42	34	39	46
Expenditure on funds available (percentage)	87	94	96	95	89

[a] Inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund, operational reserve and reserve for new or additional mandate-related activities.

39. An amount of $25 million included in the Annual Programme Fund (pillar 1) has been set aside in order to increase the Working Capital Fund subject to approval by the Executive Committee in October 2016.

40. The expenditure amount of $3,294.8 million in 2015, although a decrease of approximately $60.6 million, or 1.8 per cent, compared with 2014, still represents an increase of over 75 per cent compared with expenditure in 2010 ($1,878.2 million). Figure IV.IV provides the distribution of 2015 expenditure by pillar and figure IV.V is a graphic illustration of annual expenditure over the past six years.

Figure IV.IV
2015 expenditure: distribution by pillar
(Percentage)

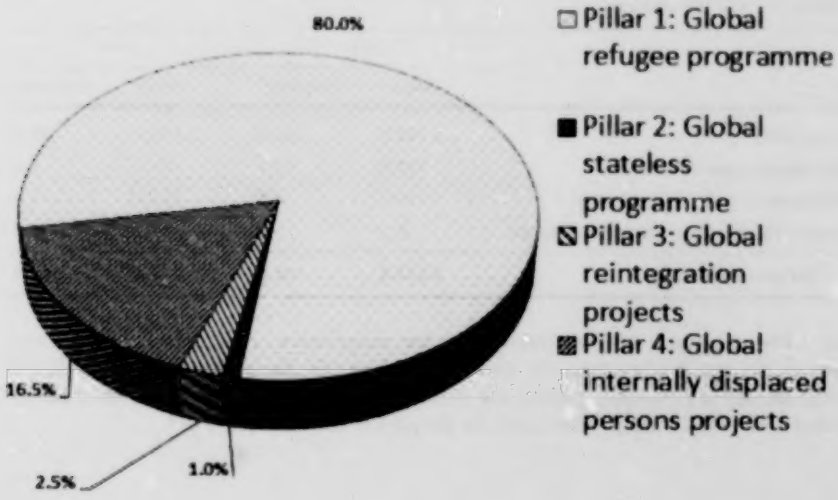
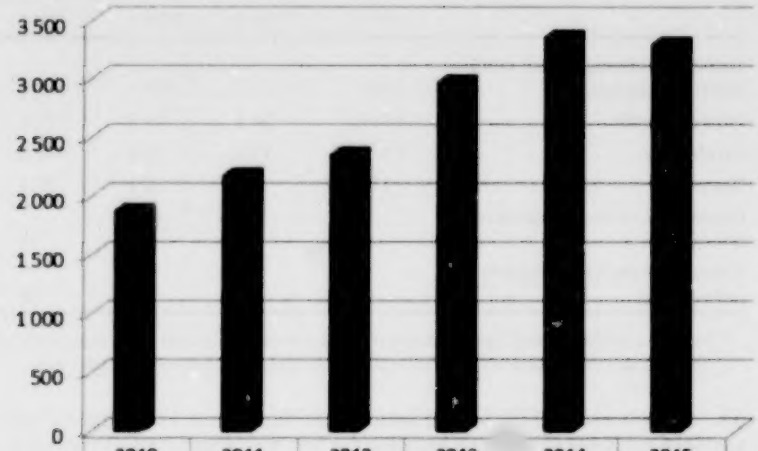


Figure IV.V
Expenditure, 2010-2015
(Millions of United States dollars)



	2010	2011	2012	2013	2014	2015
Expenditure	1 878.2	2 181.1	2 357.7	2 971.8	3 355.4	3 294.8
Annual increase	–	16.1%	8.1%	26.0%	12.9%	-1.8%

41. Table IV.2 shows 2015 expenditure, broken down in terms of programme, programme support and management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2014.

Table IV.2
2015 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme
(Millions of United States dollars)

	2015		*2014*	
	Amount	*Percentage*	*Amount*	*Percentage*
Programme	2 748.3	83.4	2 891.1	86.2
Programme support	399.9	12.1	324.9	9.7
Management and administration	139.9	4.3	132.1	3.9
Junior Professional Officers Programme	6.7	0.2	7.3	0.2
Total expenditure	**3 294.8**	**100.0**	**3 355.4**	**100.0**

42. The evolution of the expenditure for programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme) is presented graphically in figures IV.VI (in millions of United States dollars) and IV.VII (in percentages) for the period from 2010 to 2015.

Figure IV.VI
Evolution of expenditure in United States dollars, 2010-2015
(Millions of United States dollars)

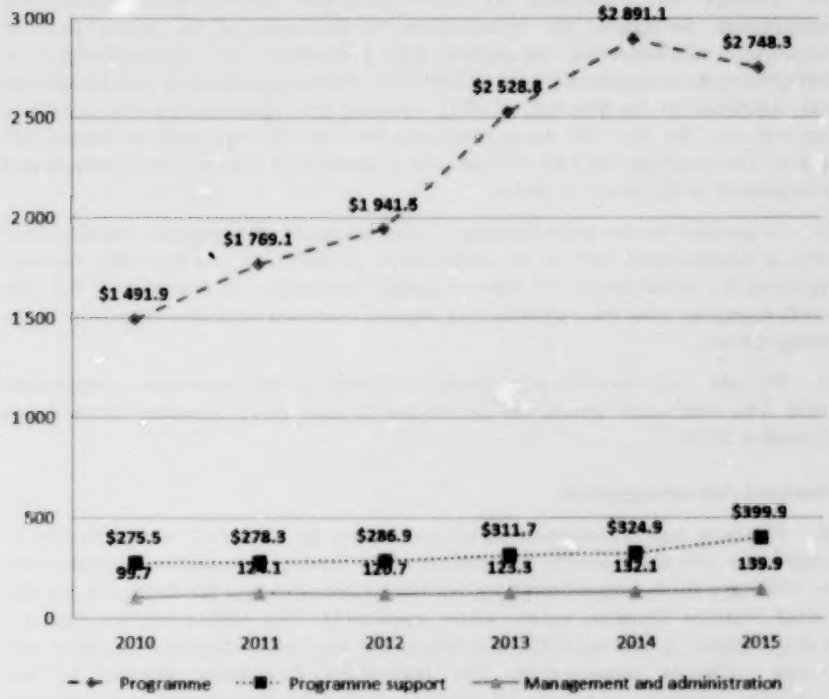


Figure IV.VII
Evolution of expenditure, 2010-2015

E. Risk management

Enterprise risk management

43. UNHCR has completed the initial structured roll-out of enterprise risk management throughout the organization on the basis of the policy and the supporting administrative instruction and procedures for implementation of enterprise risk management issued in 2014. The first comprehensive risk assessment was completed in the first half of 2015, creating the organization's first corporate risk register. The first risk assessment was followed through with an annual risk review. The resulting risk data will serve as a basis for an informed risk analysis and management in the course of 2016.

44. In parallel to the establishment of the corporate risk register, consultations held at headquarters led to the articulation of the first strategic risk register, capturing an initial list of 20 risks of global importance. It is expected that risk trends emerging from the corporate risk register over time will inform and shape the strategic risks.

45. Periodic risk reviews have been integrated in the operations management cycle. The next such annual review is due to take place between October and December 2016.

Financial risk management

46. Financial risk management is carried out by the Office of the Controller, in compliance with the Financial Regulations of the United Nations, the financial rules for voluntary funds administered by the High Commissioner for Refugees and the United Nations financial rules, where applicable. The Office applies rigorous strategic planning and resource allocation, together with integrated liquidity and foreign exchange management. The Investment Committee, chaired by the Controller, provides oversight of the financial risk management and effective investment of available cash holdings of UNHCR not required for immediate use.

47. UNHCR maintains and manages a robust multi-currency portfolio, derived from the receipt of voluntary contributions and the disbursement of payments in various currencies that are naturally hedged. The organization resorts only to limited monthly foreign exchange hedging transactions, with no open contracts to report at year-end. Integrated supply, finance and treasury management systems provide the basis for managing global cash flows on a real-time basis and sound cash-flow forecasting capability.

48. UNHCR risk management policies limit the amount of credit exposure to any one institution and include the application of minimum credit quality guidelines. All surplus fund placements have been concluded with financial institutions that have been accorded the strongest ratings by the primary rating agencies.

F. Internal control system and accountability framework

49. In accordance with UNHCR financial rule 10.1, the Controller is responsible to the High Commissioner for establishing internal controls to ensure: (a) the regularity of receipt, custody and disposal of all assets entrusted to her; and (b) the conformity of commitments and expenses with the directives of the Executive

Committee or, as appropriate, with the purpose and conditions of the funds or accounts administered by UNHCR.

50. Internal control and accountability processes are exercised continually at all operational levels within the organization in line with the requirements established through the following core documents:

(a) The global management accountability framework, which comprehensively maps accountabilities, responsibilities and authorities throughout the organization and relates them to the corresponding management policies, tools and guidance;

(b) The financial internal control framework and delegation-of-authority plans;

(c) The resource allocation framework;

(d) The budgetary internal control framework and budgetary control plan;

(e) Policies on the implementation of projects by partners, project partnership agreements and project monitoring, control and audit.

51. UNHCR also benefits from a robust system of review of the effectiveness of internal controls, which is conducted by the bodies and mechanisms identified below.

Office of Internal Oversight Services

52. The Office of Internal Oversight Services (OIOS) has performed internal audit services at UNHCR since 1997, in accordance with UNHCR financial rule 12.1 and United Nations financial regulation 5.15. A revised memorandum of understanding (2014) between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with an office in Nairobi and auditors located in Jordan. The OIOS auditor in Pakistan has been relocated to Budapest as of the first quarter of 2016. The internal auditors undertake regular missions to review UNHCR operations in the field and organizational units, functions and systems at headquarters. The audit findings and recommendations are issued as internal audit reports addressed to the High Commissioner. OIOS also provides an annual summary report on its activities and assessments both to the Executive Committee and to the General Assembly as part of the OIOS annual report. In 2015, OIOS issued 38 reports covering various country operations, as well as thematic areas such as appointment, reassignment and separation of staff, cash-based interventions, the education programme for refugees and partners' personnel costs.

Independent audit of projects implemented by partners

53. UNHCR carries out a high percentage of its activities through implementing partners. In 2015, UNHCR continued to collaborate with more than 900 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

(a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;

(b) An evaluation of the partner's compliance with the project partnership agreement;

(c) An assessment of the partner's internal controls and financial management practices.

54. Starting with 2014 projects, UNHCR has adopted a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project. Audit services have been centrally procured and four global independent and reputable audit service providers have been engaged by UNHCR, resulting in a competitive selection of audit services, an efficient process of project audit certification and improved consistency and quality of reports. The quality of audit work delivered as part of this revised arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

55. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2015, the Committee held three sessions, during which it discussed and made observations on various issues relating to oversight, including internal audit, inspection, evaluation, fraud prevention, personal accountability, information and communications technology management, human resources, procurement, ethics and enterprise risk management.

Internal Compliance and Accountability Committee

56. The UNHCR Internal Compliance and Accountability Committee was established in June 2012. Its role is:

(a) To ensure effective organizational accountability by reviewing, prioritizing and monitoring outstanding critical recommendations identified by internal and external oversight bodies;

(b) To ensure that changes of policy and procedures recommended by oversight bodies are properly reviewed and, where appropriate, implemented;

(c) To recommend additional policies for enhanced accountability;

(d) To provide support for the effective implementation of the individual accountability framework represented by the global management accountability framework.

57. The Committee acts as the central body to prioritize and monitor the implementation of outstanding critical recommendations and ensures a systematic effort to identify required changes in policies and procedures in order to respond to suggestions from oversight bodies and/or recommend additional policies. In 2015, the Committee convened three times and reviewed issues including recurring partnership management-related recommendations, the policy framework to address

cases of mismanagement, changes in the annual internal audit plan and updates to critical and ageing recommendations.

Inspector General's Office

58. The Inspector General's Office is an independent internal body headed by the Inspector General and comprising two services (Inspection and Investigation) that act independently in conducting inspections of field offices and headquarters units, undertaking investigations and conducting ad hoc inquiries regarding violent attacks on UNHCR personnel and operations where these involve fatalities, major injuries or large-scale damage to UNHCR assets. The Inspector General's Office provides independent oversight to support the effective, efficient and accountable management of UNHCR field operations and headquarters activities, while informing the High Commissioner of challenges, problems and deficiencies in delivering the UNHCR mandate.

Other tools and mechanisms

59. It is worth noting the following additional efforts made by UNHCR to strengthen its internal control system and maximize the effective and efficient use of its resources:

(a) Focusing management attention on effective follow-up to recommendations made by internal and external oversight bodies, reporting regularly to the Independent Audit and Oversight Committee and the Executive Committee on the volume and nature of the outstanding recommendations;

(b) Documenting all actions to be taken to address the recommendations of the Board of Auditors;

(c) Reviewing and streamlining, when deemed necessary, the internal policies, procedures and guidance available to staff;

(d) Holding periodic senior management committee meetings to review and discuss aspects relating to the reinforcement of risk and performance management practices throughout the organization.

G. Going concern

60. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the context of the global economic and financial situation, have been evaluated by the management of UNHCR. Management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the revised budget requirements for 2016 during its meeting in October 2015 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

Chapter V

Financial statements for the year ended 31 December 2015

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	942 874	679 243
Investments	Note 3.1	150 000	120 000
Contributions receivable	Note 3.2	708 258	644 384
Inventories	Note 3.3	180 738	193 472
Other current assets	Note 3.4	76 243	117 678
Total current assets		**2 058 113**	**1 754 777**
Non-current assets			
Contributions receivable	Note 3.2	100 866	87 368
Property, plant and equipment	Note 3.5	146 234	150 137
Intangible assets	Note 3.6	10 173	7 455
Total non-current assets		**257 273**	**244 960**
Total assets		**2 315 386**	**1 999 737**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	153 704	168 249
Employee benefits	Note 3.8	83 095	84 232
Other current liabilities	Note 3.9	2 130	2 845
Total current liabilities		**238 929**	**255 326**
Non-current liabilities			
Employee benefits	Note 3.8	618 810	626 286
Provisions	Note 3.10	1 499	1 501
Total non-current liabilities		**620 309**	**627 787**
Total liabilities		**859 238**	**883 113**
Net assets		**1 456 148**	**1 116 624**
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	2 011 934	1 688 832
Working Capital and Guarantee Fund	Note 3.12	50 000	50 000
Medical Insurance Plan	Note 3.13	36 596	38 420
Staff Benefits Fund	Note 3.14	(642 382)	(660 628)
Total fund balances and reserves		**1 456 148**	**1 116 624**

The accompanying notes form an integral part of these financial statements.

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated)*
Revenue			
Voluntary contributions	Note 5.1	3 514 317	2 994 149
United Nations regular budget		48 644	41 024
Interest revenue		1 805	1 775
Other revenue	Note 5.2	17 575	18 960
Total revenue		**3 582 341**	**3 055 908**
Expenses			
Implementing partnership expenses	Note 6.1	1 260 832	1 348 070
Salaries and employee benefits	Note 6.2	812 942	795 541
Contractual services	Note 6.3	208 373	224 967
Supplies and consumables for beneficiaries	Note 6.4	344 473	412 841
Operating expenses	Note 6.5	180 776	193 221
Individual and family payments to beneficiaries	Note 6.6	214 647	124 054
Equipment and office supplies	Note 6.7	52 411	49 228
Travel expenses		48 906	50 740
Fuels and lubricants		29 015	28 629
Consultants		16 111	20 187
Depreciation, amortization and impairment	Note 6.8	44 409	42 772
Foreign exchange (gains)/losses	Note 6.9	40 894	64 136
Other expenses	Note 6.10	25 083	6 108
Total expenses		**3 278 872**	**3 360 494**
Surplus/(deficit) for the year		**303 469**	**(304 586)**

The accompanying notes form an integral part of these financial statements.

United Nations High Commissioner for Refugees

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*Accumulated fund balances and reserves*	*Working Capital and Guarantee Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*
Net assets at 1 January 2014 (audited)		**1 973 812**	**50 000**	**(530 053)**	**35 001**	**1 528 760**
Adjustment due to accounting policy changes	Note 3.5	(9 400)	–	–	–	(9 400)
Net assets at 1 January 2014 (restated)		**1 964 412**	**50 000**	**(530 053)**	**35 001**	**1 519 360**
Movements in fund balances and reserves in 2014						
Surplus/(deficit) for the period (audited)	Notes 3.11, 3.12, 3.13, 3.14	(199 731)	(65 531)	(42 990)	3 419	(304 833)
Adjustment to surplus/(deficit) due to accounting policy changes	Note 3.5	246	–	–	–	246
Gain/(loss) on after-service health insurance actuarial valuation	Note 3.8	–	–	(98 483)	–	(98 483)
Funding of long-term employee liabilities	Notes 3.8, 3.14	(10 898)	–	10 898	–	–
Recognition of additional assets	Note 3.5	334	–	–	–	334
Transfers	Notes 3.11, 3.12, 3.13, 3.14	(65 531)	65 531	–	–	–
Total movements during 2014 (restated)		**(275 580)**	**–**	**(130 575)**	**3 419**	**(402 736)**
Net assets at 31 December 2014 (restated)		**1 688 832**	**50 000**	**(660 628)**	**38 420**	**1 116 624**
Movements in fund balances and reserves in 2015						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	377 096	(42 534)	(29 269)	(1 824)	303 469
Gain/(loss) on after-service health insurance actuarial valuation	Note 3.8	–	–	36 055	–	36 055
Funding of long-term employee liabilities	Notes 3.8, 3.14	(11 460)	–	11 460	–	–
Transfers	Notes 3.11, 3.12, 3.13, 3.14	(42 534)	42 534	–	–	–
Total movements during 2015		**323 102**	**–**	**18 246**	**(1 824)**	**339 524**
Total net assets at 31 December 2015		**2 011 934**	**50 000**	**(642 382)**	**36 596**	**1 456 148**

The accompanying notes form an integral part of these financial statements.

United Nations High Commissioner for Refugees

IV. Statement of cash flow for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	*2015*	*2014 (restated)*
Cash flows from operating activities:			
Surplus/(deficit) for the period		**303 469**	**(304 586)**
Depreciation, amortization and impairment	Notes 3.5, 3.6	44 409	42 772
(Increase)/decrease in contributions receivable	Note 3.2	(77 372)	313 844
(Increase)/decrease in inventories	Note 3.3	12 734	(51 412)
(Increase)/decrease in other assets	Note 3.4	41 435	33 161
Increase/(decrease) in accounts payable and accruals	Note 3.7	(14 545)	40 224
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss on after-service health insurance liabilities		27 442	46 998
Increase/(decrease) in provisions	Note 3.10	(2)	440
Increase/(decrease) in other liabilities	Note 3.9	(715)	(5)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		(221)	14 756
Revenue from in-kind contributions of property, plant and equipment		(302)	(220)
Net cash flows from operating activities		**336 332**	**135 972**
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(44 792)	(75 948)
Purchase of intangible assets	Note 3.6	(4 814)	(3 626)
Proceeds from sale of assets		6 905	8 558
Purchase of term deposits		(270 000)	(360 000)
Maturities and sale of term deposits		240 000	360 000
Net cash flows from investing activities		**(72 701)**	**(71 010)**
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		**263 631**	**64 962**
Cash and cash equivalents at beginning of the year		**679 243**	**614 281**
Cash and cash equivalents at end of the year		**942 874**	**679 243**

The accompanying notes form an integral part of these financial statements.

United Nations High Commissioner for Refugees

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Reference	Global needs assessment budget		Actual on comparable basis	Variances: Final budget and actual amounts
		Original[a]	Final[b]		
Field operations					
Africa		1 815 003	2 775 092	1 097 703	1 677 389
Middle East and North Africa		1 494 598	2 137 359	1 151 713	985 646
Asia and the Pacific		581 112	596 722	256 429	340 293
Europe		351 136	592 015	243 743	348 272
Americas		118 395	117 428	59 081	58 347
Total field operations		**4 360 244**	**6 218 616**	**2 808 669**	**3 409 947**
Global programmes		**202 453**	**315 099**	**266 468**	**48 631**
Headquarters		**199 611**	**230 171**	**213 004**	**17 167**
Operational reserve and new or additional activities — mandate-related reserve		**405 156**	**456 523**	–	**456 523**
Junior Professional Officers Fund		**12 000**	**12 000**	**6 674**	**5 326**
Total	Note 7	**5 179 464**	**7 232 409**	**3 294 815**	**3 937 594**

[a] The original budget of $5,179.5 million was approved by the Executive Committee of the Programme of the High Commissioner at its sixty-fourth session (30 September-4 October 2013), as contained in A/68/12/Add.1.

[b] At its sixty-fifth session (29 September-3 October 2014), the Executive Committee approved the revised budget of $6,234.4 million (see A/69/12/Add.1). The final budget figure, $7,232.4 million, represents the sum of the approved revised budget and the supplementary budgets established by the High Commissioner, in accordance with UNHCR financial rule 7.5, in the amount of $1,156.4 million less a reduction of $158.4 million relating to the Syrian situation.

The accompanying notes form an integral part of these financial statements.

United Nations High Commissioner for Refugees
Notes to the financial statements

Note 1
Office of the United Nations High Commissioner for Refugees, its objectives and activities

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319A (IV). Its mandate is laid down in the statute of the Office (Assembly resolution 428 (V), annex). In accordance with the statute, the High Commissioner, acting under the authority of the Assembly, shall assume the function of providing international protection, under the auspices of the United Nations, to refugees who fall within the scope of the statute and of seeking permanent solutions for the problem of refugees.

2. The General Assembly has also called upon the High Commissioner to provide assistance to returnees and to monitor their safety and well-being on return (Assembly resolution 40/118). In addition, on the basis of specific requests from the Secretary-General or the competent principal organs of the United Nations, and with the consent of the State concerned, the High Commissioner provides humanitarian assistance and protection to internally displaced persons (Assembly resolution 48/116). As to the High Commissioner's assistance activities, the basic provisions of the statute were expanded by the Assembly in its resolution 832 (IX).

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility of protecting refugees on their territory, UNHCR was established to ensure that protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of persons of concern to the Office, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975.

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution 1166 (XII) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and a number of intersessional meetings of its subsidiary body, the Standing Committee. In 2015, the Executive Committee consisted of 98 members. Each year, the report on the session of the Executive Committee is submitted to the Assembly as an addendum to the annual report of the High Commissioner.

5. UNHCR has its headquarters in Geneva, with Global Service Centres in Budapest and Copenhagen, its Information and Communications Technology Service Centre in Amman and liaison offices in New York and Brussels. As at 31 December 2015, UNHCR had a presence in 125 countries, where its core work is managed from a series of regional offices, branch offices, sub-offices and field offices in the following five regions: Africa; the Americas; Asia and the Pacific; Europe; and the Middle East and North Africa. Global programmes are managed by a number of divisions at headquarters.

Note 2
Accounting policies

Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the revised budget requirements for 2015 and the proposed biennial budgets for 2016-2017 during its meeting in October 2015 and the historical trend of collection of pledges over the past years. The accounting policies have been applied consistently throughout the financial period.

8. In accordance with the financial rules for voluntary funds administered by the High Commissioner for Refugees (A/AC.96/503/Rev.10), the functional and reporting currency of UNHCR is the United States dollar. All values are rounded to the nearest thousand.

9. Foreign currency transactions are translated into dollars using the United Nations operational rate of exchange, which approximates the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the year-end closing rate of the operational rate of exchange.

10. Both realized and unrealized foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated monetary assets and liabilities are recognized in the statement of financial performance.

11. The statement of cash flow is prepared using the indirect method.

12. The financial statements necessarily include estimated amounts based on management's knowledge, judgement and assumptions with regard to events and actions. Estimates include but are not limited to the fair value of donated goods and services, accrued charges and liabilities for after-service employee benefits, the impairment on accounts receivable, inventories, property, plant and equipment, and contingent assets and liabilities. The concept of materiality is applied for the development of accounting policies and the preparation of financial statements.

13. In 2015, reclassifications have been made to enhance the presentation of financial statements. The comparative amounts have been reclassified and the actual amounts reclassified are disclosed in the relevant note.

Revenue

14. Revenue from the United Nations regular budget, voluntary contributions and pledges of voluntary contributions confirmed in writing are recognized as non-exchange transactions in accordance with IPSAS 23: Revenue from non-exchange transactions. UNHCR considers that, while there are restrictions on the use of contributions it receives, these restrictions do not meet the definition of a condition as described under IPSAS 23.

15. Voluntary and non-conditional cash contributions from donors for which no formal binding agreements are required are recognized as revenue when the cash contribution is received from the donor.

16. In-kind contributions of goods and services that directly support operations and activities and can be reliably measured are recognized as revenue at fair value. These contributions include goods which are distributed to beneficiaries, use of premises, utilities, transport and personnel. In-kind contributions of goods are treated as both revenue and assets upon receipt of the goods. In-kind contributions of services are treated as both revenue and expense upon recognition.

17. Revenue arising from the rendering of services, sale of goods or use by others of UNHCR assets is recognized as exchange revenue in accordance with IPSAS 9: Revenue from exchange transactions.

Expenses

18. In accordance with the accrual basis of accounting, expense recognition occurs at the time of delivery of goods or services by the supplier or service provider. Expenses are recorded and recognized in the financial statements for the periods to which they relate.

Financial instruments

19. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR financial instruments comprise cash and cash equivalents, investments, accounts receivable and accounts payable.

Assets

Cash and cash equivalents

20. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less.

Investments

21. UNHCR investments currently comprise term deposits with maturities ranging between 3 and 12 months. Investment revenue is recognized as it accrues and is included in interest revenue.

Contributions receivable

22. Current contributions receivable are stated at nominal value, less allowance for doubtful accounts. Long-term contributions receivable are stated at amortized cost using the effective interest method.

Inventories

23. Inventories constitute mostly stock items which are distributed to beneficiaries. They include non-food items such as tents, bedding materials, household items, medical and hygienic supplies and apparel, and construction and related equipment materials. Some food items are also included in inventories.

24. Inventories are valued at the lower of cost or current replacement cost. An exception applies to inventory items received as in-kind contributions, which are measured at fair value as at the date of transfer to UNHCR.

25. The cost of inventories includes purchase cost (or fair value if received in kind) and all other costs, such as transportation, insurance and inspection costs incurred to bring the inventories to the first receiving location in UNHCR.

26. The cost of inventories located in field offices is determined by using specific identification of their individual actual cost. The cost of inventories located in central warehouses is determined on the weighted average basis.

27. Inventories are expensed when distributed directly by UNHCR to beneficiaries or when they are transferred to implementing partners or provided to other entities for relief assistance purposes.

28. Inventories are reviewed periodically for obsolescence and an allowance is made on the basis of past experience.

Property, plant and equipment

29. Property, plant and equipment is recognized at historical cost, less accumulated depreciation and any impairment losses. Property, plant and equipment is depreciated over its estimated useful life using the straight-line method, except for land, which is not subject to depreciation.

30. Individual items of property, plant and equipment are capitalized when their original acquisition price is equal to or greater than the threshold of $10,000.

31. The accounting policy for capitalization of land and buildings was amended in 2015, whereby permanent buildings will only be capitalized in locations of UNHCR headquarters, UNHCR regional offices or UNHCR representation. Acquisition costs of all other permanent buildings are expensed at the time of acquisition. The policy was amended to harmonize the recognition of permanent buildings used for operations in direct support of beneficiaries. UNHCR rights in relation to premises used for operations in direct support of beneficiaries are regularly limited and not fully equivalent to a title of ownership. In accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors, the change in accounting policy is applied retrospectively, resulting in the restatement of the opening balance as at 1 January 2014 and the restatement of comparative amounts disclosed for the prior period.

32. The estimated useful lives for the various classes of property, plant and equipment are as follows:

Class	*Estimated useful life (in years)*
Permanent buildings — headquarters	40
Permanent buildings — other locations	20
Mobile buildings and semi-permanent structures	5
Leasehold — major improvements and alterations	The lesser of the remaining lease term, plus the renewal option, where relevant, and the asset's useful life
Donated right of use — major improvements and alterations	The lesser of the expected period for which UNHCR will use the asset or the asset's useful life
Motor vehicle equipment — heavy	10
Motor vehicle equipment — light	5
Equipment, including generators, telecommunications, security and safety, storage and office furniture and fittings	5
Computers and workshop equipment	3

33. Impairment reviews are undertaken for all assets at least annually.

Intangible assets

34. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses.

35. Intangible assets are capitalized if their original acquisition price is equal to or greater than the threshold of $30,000, except for internally developed software, where the threshold is $150,000.

36. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for the intangible asset classes are as follows:

Class	*Estimated useful life (in years)*
Software acquired externally	6 years
Software internally developed	6 years
Licences and rights, copyrights, intellectual property and other intangible assets	Shorter of the licence or rights period and useful life of 3 years

Liabilities

Accounts payable and accruals

37. Accounts payable are financial liabilities in respect of goods or services that have been acquired and received by UNHCR and for which the invoices have been received from the suppliers.

38. Accruals are liabilities for goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Employee benefits

39. UNHCR recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period during which employees rendered the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

40. Short-term employee benefits in UNHCR comprise mainly salaries, wages and payroll-related allowances, first-time employee benefits, education grants and other benefits such as paid annual leave. Short-term employee benefits are measured at nominal value.

Post-employment benefits

41. Post-employment benefits in UNHCR include defined benefit plans, such as the United Nations Joint Staff Pension Fund, and after-service health insurance.

42. The liability recognized for these benefits other than for the Pension Fund is the present value of the defined benefit obligations at the reporting date. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity.

United Nations Joint Staff Pension Fund

43. UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Pension Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

44. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension

Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNHCR and the Pension Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Office's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNHCR has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNHCR contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

45. Other long-term employment benefits include end-of-service allowances and repatriation grants, including travel.

Provisions and contingent liabilities

46. A provision is made when UNHCR has a present legal or constructive obligation as a result of past events and it is probable that UNHCR will be required to settle the obligation.

47. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNHCR.

Segment reporting

48. In accordance with IPSAS 18: Segment reporting, the financial statements are also presented by segment. A segment is a distinguishable activity or group of activities for which financial information is reported separately for the purpose of evaluating the entity's past performance in achieving its objectives and in making decisions about the future allocation of resources.

49. UNHCR classifies all its activities into three segments: (a) programmes; (b) projects; and (c) special funds and accounts. UNHCR reports on the transactions of each segment during the year and on the balances held at the end of the year.

50. Programmes include the global refugee programme (pillar 1), the global stateless programme (pillar 2) and the activities funded by the United Nations Regular Budget Fund and the Junior Professional Officers Fund. The financial requirements for programmed activities relating to pillars 1 and 2 are approved by the Executive Committee (under the biennial programme budget, which is revised at the end of the first year of the biennium). This also includes operational reserves from which the High Commissioner may make allocations to other parts of the annual budget, including supplementary budgets. The global refugee programme relates to the UNHCR mandate regarding refugees and covers protection, assistance and durable solutions in countries of asylum (including all activities to facilitate the voluntary repatriation of refugees), together with capacity-building, advocacy and resource mobilization activities. The global stateless programme relates to the UNHCR mandate regarding statelessness and covers all programmes addressing stateless persons, including populations with undetermined nationality. The Junior Professional Officers Fund covers activities relating to the recruitment, training and development of young professionals sponsored by various Governments.

51. Projects include the global reintegration projects (pillar 3) and the global internally displaced persons projects (pillar 4). The financial requirements for programmed activities relating to pillars 3 and 4 are approved by the Executive Committee (under the biennial programme budget, which is revised at the end of the first year of the biennium). Global reintegration projects relate to an area where UNHCR has joint responsibilities with other United Nations system organizations (as part of the "Delivering as one" initiative), covering longer-term activities to reintegrate returning refugees in their country of origin or to locally integrate refugees in their country of asylum — with links to the broader framework of United Nations country programmes. Global internally displaced persons projects cover operations for internally displaced persons where UNHCR is operating within the inter-agency cluster approach.

52. As at 31 December 2015, the special funds and accounts comprised the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan.

Budget comparison

53. While the accrual accounting method has been adopted as from 1 January 2012 for the financial statements, the UNHCR budget continues to be formulated on a modified cash basis. In the statement of financial performance (statement II), expenses are classified and listed by the nature of expenses, whereas expenditure is classified by operation in the statement of comparison of budget and actual amounts (statement V).

54. The Executive Committee approves the biennial programme budget, which includes budgeted amounts for the direct costs of operations and management and administration. The UNHCR budget is based on a global needs assessment and provides a comprehensive statement of resources required to address the needs of persons of concern. The High Commissioner may, in the case of new needs that cannot be fully met from the operational reserve, approve supplementary budgets under the biennial programme budget, with such adjustments being reported to each subsequent meeting of the Standing Committee. The High Commissioner is authorized to implement the budgets to the extent that funds become available under the voluntary funds administered by the High Commissioner.

55. The statement of comparison of budget and actual amounts (statement V) shows the initial budget and compares the final budget to actual amounts on the same basis as the corresponding budgetary amounts. As the bases used to prepare the budget and the financial statements differ, note 7 provides reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of financial performance (statement II).

56. The below new International Public Sector Accounting Standards were issued in 2015 but are not yet effective. These standards will become effective as from 1 January 2017.

- IPSAS 33: First-time adoption of accrual basis IPSAS
- IPSAS 34: Separate financial statements
- IPSAS 35: Consolidated financial statements
- IPSAS 36: Investments in associates and joint ventures

- IPSAS 37: Joint arrangements
- IPSAS 38: Disclosure of interests in other entities

UNHCR is assessing the possible impact that application of these new standards will have on the financial statements and plans to initially apply those standards applicable to UNHCR as from 1 January 2017. IPSAS 33 will not be applicable to UNHCR. Currently, the impact of the application of IPSAS 34-38 cannot be reasonably estimated.

Note 3
Assets and liabilities

3.1 Cash and cash equivalents and investments

Table 3.1.1
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Cash and cash equivalents		
Headquarters	223 401	59 510
Field offices	93 501	79 929
Short-term deposits	630 000	540 000
Total cash and cash equivalents before allowance	**946 902**	**679 439**
Allowance for doubtful bank balances	(4 028)	(196)
Total cash and cash equivalents	**942 874**	**679 243**

57. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts are available at short notice.

58. The allowance for doubtful bank balances includes a $3.8 million valuation provision for the funds held in Venezuelan bolívares. This is considered necessary as the United Nations operational rate of exchange for bolívares is based on the main official exchange rate of the Central Bank of Venezuela, which is not considered to represent the fair value of the cash holdings in that currency.

59. Table 3.1.2 shows the purposes for which cash and cash equivalents were held.

Table 3.1.2
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Operational	878 059	614 344
Working Capital and Guarantee Fund	49 926	49 989
Junior Professional Officers Fund	14 889	14 910
Total cash and cash equivalents	**942 874**	**679 243**

60. Table 3.1.3 shows short-term investments held by source of funding.

Table 3.1.3
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Staff Benefits Fund	49 283	37 718
Medical Insurance Plan	36 622	38 420
Operational	64 095	43 862
Short-term investments	**150 000**	**120 000**

61. As at 31 December 2015, investments amounted to $150.0 million ($120.0 million at 31 December 2014). This figure represents investments pertaining to the Staff Benefits Fund, the Medical Insurance Plan and a temporary surplus of cash holdings in operational activities that are not required for immediate use, as shown in table 3.1.3. The investments are placed in money markets with maturities ranging between 3 and 12 months. The UNHCR investment and risk management guidelines are applied and are overseen by the UNHCR Investment Committee. The selected benchmark to measure the performance of returns on the investments is the one-year United States Treasury bills yield curve.

3.2 Contributions receivable

62. The following tables summarize the composition of contributions receivable by donor type (table 3.2.1) and year due (table 3.2.2).

Table 3.2.1
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Current contributions receivable		
Governments	502 962	509 482
United Nations system organizations and funds	9 893	10 769
Other intergovernmental organizations	134 772	111 193
Private donors	81 089	29 729
Current contributions receivable before allowance	**728 716**	**661 173**
Allowance for doubtful accounts	(20 458)	(16 789)
Total current contributions receivable	**708 258**	**644 384**
Non-current contributions receivable		
Governments	41 275	30 551
United Nations system organizations and funds	7 250	68
Other intergovernmental organizations	11 789	40 237
Private donors	40 552	16 512
Total non-current contributions receivable	**100 866**	**87 368**
Net contributions receivable	**809 124**	**731 752**

Table 3.2.2
(Thousands of United States dollars)

Year due	*31 December 2015*	*Percentage*	*Year due*	*31 December 2014*	*Percentage*
2014 and before	8 758	1.1	2013 and before	2 514	0.4
2015	134 333	16.6	2014	56 454	7.7
2016	565 167	69.8	2015	585 416	80.0
Total current contributions receivable	**708 258**	**87.5**		**644 384**	**88.1**
2017	74 894	9.3	2016	79 069	10.8
2018	23 360	2.9	2017	7 329	1.0
2019	2 612	0.3	2018	970	0.1
Total non-current contributions receivable	**100 866**	**12.5**		**87 368**	**11.9**
Total contributions receivable	**809 124**	**100.0**		**731 752**	**100.0**

63. The movement of the allowance for doubtful accounts during 2015 was as follows:

Table 3.2.3
(Thousands of United States dollars)

	31 December 2014	*Write-offs*	*Increase*	*(Decrease)*	*31 December 2015*
Allowance for doubtful accounts	16 789	(4 955)	11 488	(2 864)	20 458

64. Contributions receivable are shown net of allowances for doubtful accounts. The allowance is based on the assessment made on individual contributions receivable for which the receipt is considered uncertain.

3.3 Inventories

65. UNHCR holds inventory items to be distributed to its beneficiaries in 167 warehouses (155 warehouses in 2014) worldwide and 7 global central warehouses located in Dubai (United Arab Emirates), Copenhagen, Isaka (United Republic of Tanzania), Nairobi, Accra, Douala (Cameroon) and Amman. During 2015, inventory items distributed totalled $318.3 million and are recorded as an expense in the statement of financial performance (statement II).

66. The following tables show the composition of the inventory balance at year-end (table 3.3 1) and the reconciliation of inventory changes during the year (table 3.3.2).

Table 3.3.1
(Thousands of United States dollars)

Inventory type	*31 December 2015*	*31 December 2014*
Tents	36 992	48 553
Bedding materials	58 876	68 373
Household items	42 525	44 993
Medical hygienic supplies and apparel	25 022	35 967
Food and other supplies	2 541	2 051
Construction and related equipment materials	15 713	6 112
Material consumables	99	339
Subtotal	**181 768**	**206 388**
Less: allowance for obsolescence	1 030	12 916
Total inventory	**180 738**	**193 472**

Table 3.3.2
(Thousands of United States dollars)

Inventory reconciliation	*2015*	*2014*
Opening inventory as at 1 January	193 472	142 060
Cost of goods acquired[a]	295 300	431 644
Cost of goods distributed	(318 368)	(379 036)
Other adjustments	(1 552)	(3 243)
Change in allowance for obsolescence	11 886	2 047
Closing inventory as at 31 December	**180 738**	**193 472**

[a] Including in-kind contributions.

67. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

68. The movement of the allowance for obsolete inventory is as follows:

Table 3.3.3
(Thousands of United States dollars)

	31 December 2014	*(Decrease)*	*31 December 2015*
Allowance for obsolete inventory	12 916	(11 886)	1 030

69. In the prior period, the allowance for obsolete inventory included items that were considered slow-moving or held beyond standard shelf life. Recognizing the fact that most of the slow-moving inventory items are part of contingency stock that is operationally required in various locations and regularly utilized, the items are no longer included in the obsolescence provision, resulting in a reduction in the overall allowance.

70. At year-end, UNHCR held inventory items with a total value of $180.7 million net of the allowance for obsolescence. This is equivalent to approximately seven months' distribution made in 2015 (approximately six months in 2014).

3.4 Other current assets

Table 3.4.1
(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Prepayments	54 211	87 313
Deposits with suppliers	3 224	1 596
Value added tax receivables	11 350	9 582
Receivables from implementing partners	4 706	2 376
Staff advances	3 754	5 141
Assets held for sale	–	12 900
Other assets	6 093	6 024
Subtotal	**83 338**	**124 932**
Less: allowance for other current assets	7 095	7 254
Total other current assets	**76 243**	**117 678**

71. Prepayments are payments made in advance of the period to which the expense relates and include implementing partnership agreements, rent, education grants and travel. This figure includes advance payments of $39.1 million ($67.8 million in 2014) made to implementing partners as follows: (a) 2015 project agreements with respect to which the delivery of services was extended into the following year, for $31.9 million against 89 projects ($56.6 million against 119 projects in 2014); and (b) first instalments paid prior to 1 January 2016 against 2016 budget year projects, for $7.2 million against 62 projects ($11.2 million against 94 projects in 2014).

72. Staff advances consist primarily of advances towards rental subsidies, travel, medical expenses, salary and other staff entitlements.

73. Assets held for sale are composed primarily of motor vehicles and measured at fair value. In 2015, no assets were segregated and held for sale.

3.5 Property, plant and equipment

74. The main asset classes for property, plant and equipment comprise land and buildings, major alteration and improvements to properties, motor vehicles, computers and telecommunications equipment and generators.

75. Currently, UNHCR holds some motor vehicles and other equipment beyond their economic lives. A management plan is in place to systematically dispose of these items at the highest possible value.

76. The change in the accounting policy for capitalization of permanent buildings as described in paragraph 31 has resulted in the adjustment of the amount reported in prior years as shown in tables 3.5.1 and 3.5.2. Corresponding adjustments are shown on the statement of changes in net assets (statement III) and in table 3.5.4.

The prior-year comparative amounts on the affected items have been restated in relevant financial statements and notes, and are indicated accordingly.

Table 3.5.1
Summary of prior-period adjustments on property, plant and equipment from the change in accounting policy
(Thousands of United States dollars)

	2014	*2013 and prior years*
Cost/valuation		
Changes to closing balance due to accounting policy change	–	(11 228)
Changes to additions due to accounting policy change	(417)	–
Changes to disposals due to accounting policy change	121	–
Accumulated depreciation		
Changes to closing balance due to accounting policy change	–	1 828
Changes to depreciation charge due to accounting policy change	571	–
Changes to disposals due to accounting policy change	(29)	–
Total changes due to accounting policy change	**246**	**(9 400)**

Table 3.5.2
Summary of adjustments on 2014 expenses from the change in accounting policy
(Thousands of United States dollars)

	Operating expenses	*Depreciation, amortization and impairment*	*Other expenses*	*Total*
Changes to additions due to accounting policy change	270	–	147	417
Changes to disposals due to accounting policy change	–	–	(92)	(92)
Changes to depreciation charge due to accounting policy change	–	(571)	–	(571)
Total changes due to accounting policy change	**270**	**(571)**	**55**	**(246)**

Table 3.5.3
Property, plant and equipment, 2015
(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2015 (restated)	24 671	10 036	228 727	24 486	16 987	10 850	315 757
Additions — purchased	1 151	1 406	31 935	3 664	2 771	3 865	44 792
Additions — contributions in kind	–	–	–	286	16	–	302
Disposals	(168)	–	(23 812)	(1 309)	(430)	(285)	(26 004)
Closing balance at 31 December 2015	**25 654**	**11 442**	**236 850**	**27 127**	**19 344**	**14 430**	**334 847**
Accumulated depreciation							
Opening balance at 1 January 2015 (restated)	(10 831)	(4 487)	(120 066)	(15 680)	(9 563)	(4 993)	(165 620)
Disposals	120	–	17 660	1 086	263	191	19 320
Depreciation charge for the year	(3 258)	(2 546)	(28 231)	(3 236)	(3 156)	(1 656)	(42 083)
Impairment	(31)	–	(146)	(18)	(8)	(27)	(230)
Closing balance at 31 December 2015	**(14 000)**	**(7 033)**	**(130 783)**	**(17 848)**	**(12 464)**	**(6 485)**	**(188 613)**
Net book value							
Closing balance at 31 December 2014 (restated)	13 840	5 549	108 661	8 806	7 424	5 857	150 137
Closing balance at 31 December 2015	**11 654**	**4 409**	**106 067**	**9 279**	**6 880**	**7 945**	**146 234**

Table 3.5.4
Property, plant and equipment, 2014
(Thousands of United States dollars)

	Land and buildings	*Major alterations and improvements*	*Motor vehicles*	*Generators*	*Computer and telecommunications equipment*	*Other equipment*	*Total*
Cost/valuation							
Opening balance at 1 January 2014	31 912	6 855	219 349	22 022	14 524	7 998	302 660
Changes to opening balance due to accounting policy change	(11 228)	–	–	–	–	–	(11 228)
Additions — purchased	10 828	3 238	51 803	3 805	2 770	3 504	75 948
Changes to additions due to accounting policy change	(417)	–	–	–	–	–	(417)
Additions — contributions in kind	–	–	41	97	–	82	220
Recognition of additional assets	–	–	473	196	–	155	824
Disposals	(6 545)	(57)	(42 939)	(1 634)	(307)	(889)	(52 371)
Changes to disposals due to accounting policy change	121	–	–	–	–	–	121
Closing balance at 31 December 2014 (restated)	**24 671**	**10 036**	**228 727**	**24 486**	**16 987**	**10 850**	**315 757**
Accumulated depreciation							
Opening balance at 1 January 2014	(10 834)	(1 843)	(120 094)	(13 887)	(6 068)	(4 539)	(157 265)
Changes to opening balance due to accounting policy change	1 828	–	–	–	–	–	1 828
Disposals	534	57	26 437	1 480	242	663	29 413
Changes to disposals due to accounting policy change	(29)	–	–	–	–	–	(29)
Depreciation charge for the year	(2 851)	(2 701)	(25 334)	(3 043)	(2 895)	(975)	(37 799)
Changes to depreciation charge due to accounting policy change	571	–	–	–	–	–	571
Depreciation of additional assets recognized	–	–	(296)	(76)	–	(119)	(491)
Impairment	(50)	–	(779)	(154)	(842)	(23)	(1 848)
Closing balance at 31 December 2014 (restated)	**(10 831)**	**(4 487)**	**(120 066)**	**(15 680)**	**(9 563)**	**(4 993)**	**(165 620)**
Net book value							
Closing balance at 31 December 2013 (restated)	11 678	5 012	99 255	8 135	8 456	3 459	135 995
Closing balance at 31 December 2014 (restated)	**13 840**	**5 549**	**108 661**	**8 806**	**7 424**	**5 857**	**150 137**

3.6 Intangible assets

77. The movements in intangible assets during the year are as follows:

Table 3.6.1
(Thousands of United States dollars)

	Licences and rights, copyrights and other	*Intangible assets under development*	*Total 2015*
Cost			
Opening balance 1 January	4 677	4 967	9 644
Additions	270	4 544	4 814
Closing balance 31 December	**4 947**	**9 511**	**14 458**
Accumulated amortization			
Opening balance 1 January	(2 189)	–	(2 189)
Amortization charge for the years	(2 096)	–	(2 096)
Closing balance 31 December	**(4 285)**	**–**	**(4 285)**
Net book value			
Opening balance 1 January	2 488	4 967	7 455
Closing balance 31 December	**662**	**9 511**	**10 173**

Table 3.6.2
(Thousands of United States dollars)

	Licences and rights, copyrights and other	*Intangible assets under development*	*Total 2014*
Cost			
Opening balance 1 January	1 867	6 863	8 730
Additions	2 855	765	3 620
Disposal	(45)	–	(45)
Impairment loss for the year	–	(2 661)	(2 661)
Closing balance 31 December	**4 677**	**4 967**	**9 644**
Accumulated amortization			
Opening balance 1 January	(1 168)	–	(1 168)
Amortization charge for the years	(1 035)	–	(1 035)
Amortization on disposals	14	–	14
Closing balance 31 December	**(2 189)**	**–**	**(2 189)**
Net book value			
Opening balance 1 January	699	6 863	7 562
Closing balance 31 December	**2 488**	**4 967**	**7 455**

78. The capitalized value of internally developed software excludes those costs related to research and maintenance.

79. "Licences" primarily represent rights acquired for the use of software. The cost will be amortized over the licence or rights period or three years, whichever is shorter.

80. "Intangible assets under development" represents six software projects: Focus 2, proGres, the biometric identity management system, Managing Systems, Resources and People (MSRP) Finance and Supply Chain upgrade, MSRP Human Resources upgrade and Twine.

81. The development activities in relation to Focus 2 were impaired in 2014 and no development work was undertaken in 2015.

3.7 Accounts payable and accruals

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Accounts payable		
Commercial suppliers	48 238	47 349
Implementing partners	22 648	32 350
United Nations system organizations	703	5 910
Other payables	3 414	2 648
Total accounts payable	**75 003**	**88 257**
Accruals		
Commercial suppliers	59 880	56 617
Implementing partners	11 175	16 200
United Nations system organizations	4 575	6 803
Other liabilities	3 071	372
Total accruals	**78 701**	**79 992**
Total accounts payable and accruals	**153 704**	**168 249**

82. Accounts payable to commercial suppliers relate to amounts due for goods and services for which invoices have been received.

83. The accounts payable to implementing partners represent payments due against agreements with those partners.

84. Other payables include amounts due to employees, volunteers, contractors and beneficiaries.

85. Accruals are liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

3.8 Employee benefits liabilities

Table 3.8.1
(Thousands of United States dollars)

	2015	*2014*
Employee benefits liabilities		
Salaries and other staff benefits	10 427	12 240
Annual leave	61 601	62 485
After-service health insurance	546 485	545 477
Repatriation benefits	82 419	89 234
Other separation benefits	973	1 082
Total employee benefits liabilities	**701 905**	**710 518**
Composition		
Current	83 095	84 232
Non-current	618 810	626 286
Total employee benefits liabilities	**701 905**	**710 518**

86. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments owing to the revision of salary scales, home leave, education grants and other benefits.

87. Annual leave liabilities are calculated for the unused annual leave balance at the end of 2015. Separating staff are entitled to be paid for unused annual leave they may have accrued up to a maximum of 60 days.

88. After-service health insurance is available in the form of continued membership in the United Nations Staff Mutual Insurance Society, an insurance scheme managed by the United Nations Office at Geneva, or through the Medical Insurance Plan for retired, locally recruited staff members who served at designated duty stations away from Headquarters and their eligible dependants.

Actuarial valuation of post-employment and other long-term liabilities

89. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

	Assumptions used in valuation of after-service health insurance obligations
Discount rate	2.85% (2014: 2.7%) — Weighted average of discount rates of three major currencies representing after-service health insurance liabilities, i.e., the United States dollar, the euro and the Swiss franc. Each year's projected after-service health insurance cash flow is discounted at a spot rate for high-quality corporate bonds payable in each major currency appropriate for that maturity
Expected rate of medical cost increase	2.70% (2014: 2.90%) — Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement
	Assumptions used in valuation of repatriation benefit obligations
Discount rate	3.9% (2014: 3.5%) — Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value
Expected rate of salary increase	2.2% (2014: 2.5%)

After-service health insurance liability

Table 3.8.2
(Thousands of United States dollars)

	2015		*2014*	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Gross liability	1 139 302	796 410	1 155 655	794 772
Offset from retiree contributions	(352 645)	(249 925)	(357 157)	(249 295)
Net liability as at 31 December	**786 657**	**546 485**	**798 498**	**545 477**

90. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and active staff expected to retire. The accrued liability represents that portion of the present value of benefits that has accrued from the staff member's date of entry on duty until the valuation date. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula.

91. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3
(Thousands of United States dollars)

After-service health insurance	*2015*	*2014*
Defined benefit obligation at 1 January	545 477	417 590
Service expense cost for year	27 555	18 233
Interest expense cost for year	14 662	15 775
Benefits paid (net of participants' contribution)	(5 154)	(4 604)
Actuarial (gain)/loss	(36 055)	98 483
Defined benefit obligation at 31 December	**546 485**	**545 477**

92. The actuarial gains and losses are recognized as a direct charge or credit to reserves, while service and interest costs are recognized as an expense. The expense recognized in the statement of financial performance (statement II) in 2015 is $42.2 million, as detailed in note 6.2.

93. The after-service health insurance liability for active and retired staff and their dependants who are or were funded by the United Nations regular budget is not included in these financial statements as it constitutes a liability of the United Nations. Currently, the after-service health insurance expense for this group of staff is paid directly by the United Nations.

94. UNHCR has started funding after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff, with effect from 1 January 2012. The amount funded as at 31 December 2015 is $41.2 million.

Table 3.8.4
(Thousands of United States dollars)

After-service health insurance	*2015*	*2014*
Defined benefit obligation at 31 December	**546 485**	**545 477**
Funded as at 31 December	(41 243)	(31 693)
Unfunded defined benefit obligation at 31 December	**505 242**	**513 784**

95. The contribution of UNHCR in 2016 for after-service health insurance is estimated at $15.0 million.

Sensitivity analysis

96. In accordance with the actuarial report, the effect of an increase or decrease of one percentage point in the assumed medical cost trend rate on (a) the aggregate of the current service cost and interest cost component of net periodic post-employment medical cost and (b) the accumulated post-employment benefit obligation is shown in table 3.8.5.

Table 3.8.5
(Thousands of United States dollars)

	2015	*2014*
Effect on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs		
One percentage point increase	15 439	9 532
One percentage point decrease	(10 801)	(7 407)
Effect on year-end accumulated post-employment benefit obligation		
One percentage point increase	154 524	117 605
One percentage point decrease	(114 028)	(92 080)

Repatriation benefits

97. In line with the Staff Regulations of the United Nations and Staff Rules, staff members in the Professional category and other relevant staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The organization's accrued liability for repatriation grant and travel as at 31 December 2015, as determined by the actuary, is $82.4 million, as shown in the table below.

Table 3.8.6
(Thousands of United States dollars)

	2015		*2014*	
	Present value of future benefits	*Accrued liability*	*Present value of future benefits*	*Accrued liability*
Repatriation grant	75 741	53 231	75 864	55 952
Travel and shipment	32 807	29 188	33 282	33 282
Net liability as at 31 December	**108 548**	**82 419**	**109 146**	**89 234**

98. The following table presents a reconciliation of opening and closing balances of the repatriation liability:

Table 3.8.7
(Thousands of United States dollars)

Repatriation grant and travel	*2015*	*2014*
Net obligation at 1 January	89 234	78 864
Service expense cost for the year	3 534	2 961
Interest expense cost for the year	3 020	3 256
Benefits paid	(4 262)	(3 703)
Actuarial (gain)/loss	(9 107)	7 856
Total obligation at 31 December	**82 419**	**89 234**

99. The repatriation liability for staff whose salaries are funded by the United Nations regular budget is included in these financial statements, as the settlement of this liability will be discharged by UNHCR.

100. The aggregate of the current-year service cost, interest expense, benefits paid and actuarial gains or losses are recognized as expense in the statement of financial performance (statement II). For 2015, the expense recognized is $6.6 million, as detailed in note 6.2.

Table 3.8.8
(Thousands of United States dollars)

Repatriation grant and travel	*2015*	*2014*
Total obligation at 31 December	**82 419**	**89 234**
Funded as at 31 December	(8 040)	(6 025)
Unfunded obligation at 31 December	**74 379**	**83 209**

101. Payments by UNHCR in 2016 for repatriation benefits are estimated to be $8.6 million.

United Nations Joint Staff Pension Fund

102. The Regulations of the United Nations Joint Staff Pension Fund provide that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

103. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

104. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration compared with the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as at 31 December 2015.

105. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent

in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

106. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

107. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants in the Fund, with effect not later than 1 January 2014. The related change to the Regulations of the Pension Fund was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as at 31 December 2013.

108. In December 2015, the General Assembly decided that the mandatory age of separation for staff recruited before 1 January 2014 should be raised by the organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff.

109. During 2015, the contributions paid by UNHCR to the Pension Fund amounted to $95.7 million ($90.4 million in 2014). Contributions due in 2016 are expected to be $102.4 million.

110. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board of the Fund on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

111. Other current liabilities include contributions received by UNHCR before the agreements with donors were finalized. Upon finalization of the agreements, the amounts involved are recognized as revenue.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Contributions pending agreement	294	931
Other payables	1 836	1 914
Total other current liabilities	**2 130**	**2 845**

3.10 Provisions

(Thousands of United States dollars)

Type of provision	*31 December 2014*	*Utilization*	*Increase (decrease)*	*31 December 2015*
Provision for restoration for leasehold premises and donated right of use premises	1 501	–	(2)	1 499
Total provisions	**1 501**	**–**	**(2)**	**1 499**

112. The provision for the restoration for leasehold premises relates mostly to medium-term leases and to donated right of use premises where there is a contractual obligation to restore the premises to the original condition. The leases and rights of use on these premises are usually renewed and, as a consequence, UNHCR treats the provision for restoration as a non-current liability.

3.11 Accumulated fund balances and reserves

(Thousands of United States dollars)

	Closing balance 31 December 2014 (restated)	*Surplus (deficit)*	*Funding of long-term employee liabilities*	*Prior period adjustment*	*Transfer in*	*Transfer out*	*Closing balance 31 December 2015*
Annual Programme Fund							
Annual Programme Fund net of reserves	1 461 633	322 286	(11 460)	–	151 334	(167 208)	1 756 585
Operational reserve	10 000	–	–	–	8 718	(8 718)	10 000
New or additional activities — mandate-related reserve	20 000	–	–	–	–	–	20 000
Total Annual Programme Fund	**1 491 633**	**322 286**	**(11 460)**	**–**	**160 052**	**(175 926)**	**1 786 585**
United Nations Regular Budget Fund	(434)	4 361	–	–	–	–	3 927
Junior Professional Officers Fund	14 831	790	–	–	–	(801)	14 820
Reintegration Projects Fund	37 574	39	–	–	–	(1 225)	36 388
Internally Displaced Persons Projects Fund	145 228	49 620	–	–	–	(24 634)	170 214
Total accumulated fund balances and reserves	**1 688 832**	**377 096**	**(11 460)**	**–**	**160 052**	**(202 586)**	**2 011 934**

113. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

114. Transactions for pillar 1: global refugee programme, and pillar 2: global stateless programme, are recorded in:

(a) The Annual Programme Fund;

(b) The Regular Budget Fund;

(c) The Junior Professional Officers Fund.

Transactions for pillar 3: global reintegration projects, and pillar 4: global internally displaced persons projects, are recorded in those respective funds.

115. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than $10 million by replenishments from the Working Capital and Guarantee Fund.

116. The new or additional activities — mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at $50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2015, the Executive Committee set the level at $20.0 million.

117. An amount of $25 million included within the Annual Programme Fund is being set aside in order to increase the Working Capital Fund subject to approval by the Executive Committee in October 2016.

3.12 Working Capital and Guarantee Fund

118. The Working Capital and Guarantee Fund has an established ceiling of $50.0 million approved by the Executive Committee. The Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of contributions pledges.

(Thousands of United States dollars)

	31 December 2014	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2015*
Working Capital and Guarantee Fund	50 000	(42 534)	51 302	(8 768)	50 000

3.13 Medical Insurance Plan

(Thousands of United States dollars)

	31 December 2014	*Surplus (deficit)*	*Transfer in*	*Transfer out*	*31 December 2015*
Medical Insurance Plan	38 420	(1 824)	–	–	36 596

119. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from field staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to locally recruited General Service staff members and National Professional Officers in the field.

3.14 Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Liabilities	*Funding*	*Net fund balance*	*Liabilities*	*Funding*	*Net fund balance*
After-service health insurance						
United Nations Staff Mutual Insurance Society	(425 636)	34 351	(391 285)	(423 780)	24 801	(398 979)
Medical Insurance Plan	(120 849)	6 892	(113 957)	(121 697)	6 892	(114 805)
Subtotal	**(546 485)**	**41 243**	**(505 242)**	**(545 477)**	**31 693**	**(513 784)**
Repatriation	(82 345)	8 040	(74 305)	(89 234)	6 025	(83 209)
Annual leave	(61 515)	–	(61 515)	(62 485)	–	(62 485)
Other separation benefits	(1 320)	–	(1 320)	(1 150)	–	(1 150)
Total	**(691 665)**	**49 283**	**(642 382)**	**(698 346)**	**37 718**	**(660 628)**

120. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

121. In accordance with the decision of the Standing Committee in June 2011, UNHCR started funding after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff, with effect from 1 January 2012. The amount reserved since 2012 is $41.2 million.

122. In addition, in accordance with the decision of the Standing Committee, $8.0 million has been reserved for funding repatriation benefits since 2012.

123. All of the funds and reserves referred to above were established by the Executive Committee or by the High Commissioner with the concurrence of the Executive Committee.

Note 4
Risk analysis

Credit risk

124. UNHCR risk management policies limit the amount of cash and investment holdings with any bank counterparty with strict adherence to a set minimum bank rating grade. Therefore, the risks of loss of principal have been substantially mitigated through the application of rigorous risk management evaluations and bank risk rating grades. Any surplus of funds, representing operational as well as non-operational cash holdings, are placed with financial institutions worldwide with the highest viability in financial strength and superior capital advocacy and reserves. Furthermore, equitable geographical distribution and specific threshold limits by counterparty are taken into account. Therefore, all surplus funds placements have been concluded with financial institutions that are accorded the strongest credit ratings by the primary rating agencies, hence safeguarding highest credit rating quality.

125. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, there have been no material amounts that have remained uncollected. The risk has been assessed at $20.3 million and has been provided for, as indicated in table 3.2.3 on the contributions receivable.

Liquidity risk

126. UNHCR total cash and cash equivalent holdings amounted to $942.9 million as at 31 December 2015, compared with $679.2 million as at 31 December 2014.

127. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of $878.1 million and encumbered non-operational cash holdings amounting to $64.1 million (see note 3.1).

128. The average unencumbered operational cash holdings held during 2015 as a multiplier of average monthly expenses provide coverage of 2.5 months, which compares to an average of 2.3 months for 2014. UNHCR manages its cash requirements with the target of maintaining its average unencumbered operational cash holdings at a level equivalent to no more than two months' average cash outflows. The implementation of UNHCR programme and emergency activities is planned against pledged contributions and special appeals, together with cash flow forecasting and monitoring of the drawdown and receipt of donor contributions. Rigorous liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due.

Interest rate risk

129. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. In 2015, interest revenue earned amounted to $1.8 million, the same amount compared with in 2014. Despite the low interest rate environment worldwide and the short duration of placements, UNHCR achieved return on placements that were above the appropriate selected benchmark of returns for the following duration: (a) three-month; and (b) six-month, selecting the United States Treasury bills yield curve respectively, thereby providing effective interest rate management with short duration, together with safeguarding the Office's transitory surplus of funds for short-term periods. The implementation of the Office's programme and budget is not directly dependent on interest earnings.

Foreign exchange risk

130. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year in contributions received concentrated in 10 major currencies and cash outflows of payments in 95 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, the organization only resorts to limited short-term hedging interventions to the portfolio, with no open contracts to report at year-end.

131. There is significant foreign exchange risk derived from pledges of voluntary contributions, specifically in the timing of the receipt of a pledge that is projected in

the cycles of the revenue forecasting process. This process commences from the time of planning when the organization can with certainty confirm that a pledge will be received, to the actual receipt of the pledge and the recording of it to accounts receivable and revenue, to the actual payment of the pledged amount. The inherent high uncertainty is therefore derived from the forecasting and confirmation of the exact timing of the receipt of pledges and the actual payment of the pledged amounts. The underlying uncertainty has resulted in UNHCR adopting the management of foreign exchange risk using an established risk methodology and therefore being able to substantiate and validate a high diversification benefit in its currency portfolio.

132. The sensitivity analysis on foreign exchange for the year 2015 confirms a significant United States dollar appreciation of 9 per cent against major currencies in UNHCR, resulting in an approximate exchange loss of $4.0 million for every 1 per cent appreciation of the United States dollar. In 2015, the major foreign currencies effecting the net foreign exchange losses were in the following currency denominations and corresponding percentage impact: the euro (58 per cent), Swedish krona (13 per cent), Danish krone (13 per cent), Australian dollar (6 per cent), Canadian dollar (4 per cent), Norwegian krone (4 per cent) and British pound (2 per cent).

133. UNHCR mitigates foreign exchange impacts for each currency flow by matching with cross-correlated currencies at the portfolio level. The automated cash flow forecasting tool embedded in UNHCR enterprise resource planning systems is a key component to track forthcoming cash flows worldwide from underlying transactional modules.

134. UNHCR is procuring all major convertible currencies centrally at headquarters through standardized electronic trading platforms, facilitating the competition of selected banks. The Office manages a multi-currency bank account infrastructure required to meet worldwide operational needs in some 125 countries.

Note 5
Revenue

5.1 Voluntary contributions

Table 5.1.1
(Thousands of United States dollars)

	2015	*2014*
Monetary contributions		
Government	2 886 549	2 484 426
United Nations system organizations and funds	92 777	69 022
Other intergovernmental organizations	176 202	170 455
Private donors	335 129	221 512
Refunds to donors and reductions in revenue	(3 640)	(3 118)
Total monetary contributions	**3 487 017**	**2 942 297**

	2015	*2014*
In-kind contributions		
Government	15 532	39 650
United Nations system organizations and funds	180	75
Private donors	11 588	12 127
Total in-kind contributions	**27 300**	**51 852**
Total voluntary contributions	**3 514 317**	**2 994 149**

135. Monetary contributions revenue is reduced by refunds made to donors.

136. In-kind contributions represent donations of goods and services received that directly support operations. In-kind contributions generally include inventory items and fuel coupons to be distributed to beneficiaries and the use of premises, utilities, transport and personnel. The amount of in-kind contributions in 2015 comprised $13.7 million for goods ($29.6 million in 2014) and $13.6 million for services ($10.7 million in 2014). In 2014, $11.6 million of fuel coupons were received, while none were received in 2015.

137. The total of monetary contributions of $3,487.0 million recorded in 2015 is further analysed below by year funded and by type of earmarking:

Table 5.1.2
Monetary contributions recognized
(Thousands of United States dollars)

By year	*2015*	*By year*	*2014*
2015	2 723 210	**2014**	2 398 198
Future years		**Future years**	
2016	668 215	2015	492 895
2017	66 849	2016	34 477
2018	26 352	2017	16 727
2019	2 390	2018	–
Subtotal	**763 806**		**544 099**
Total monetary contributions	**3 487 016**		**2 942 297**

Table 5.1.3
Monetary contributions by type of earmarking
(Thousands of United States dollars)

By type of earmarking	*2015*	*2014*
Unrestricted	535 110	387 470
Pending earmarking	200 583	159 175
Country/sector level	2 017 179	1 857 040
Regional/subregional level	710 956	512 325
Thematic	23 188	26 287
Total monetary contributions	**3 487 016**	**2 942 297**

5.2 Other revenue

(Thousands of United States dollars)

	2015	*2014*
Use of guest house accommodations	4 067	3 063
Sale of assets	6 905	8 558
Medical premium from Medical Insurance Plan participants	1 161	2 218
Use of office space and parking garage	1 262	848
Miscellaneous revenue	4 180	4 273
Total other revenue	**17 575**	**18 960**

Note 6
Expenses

6.1 Implementing partnership expense

138. The total of expenses incurred by implementing partners during the financial period amounted to $1,260.8 million ($1,348.1 million in 2014) and is analysed by type of implementing partner and by pillar, as follows:

Table 6.1.1
(Thousands of United States dollars)

Pillar	*Government*	*International non-governmental organizations*	*Local non-governmental organizations*	*United Nations system organizations*	*Total expenses*	
					2015	*2014*
Refugees	137 461	496 699	260 079	103 275	997 514	1 089 015
Stateless	536	1 735	4 428	1 689	8 388	8 116
Reintegration	5 223	16 661	16 225	2 630	40 739	38 708
Internally displaced persons	15 274	102 231	85 515	11 171	214 191	212 231
Total	**158 494**	**617 326**	**366 247**	**118 765**	**1 260 832**	**1 348 070**

139. Included under United Nations system organizations is $60.7 million with the United Nations Office for Project Services ($58.8 million in 2014) and $23.7 million with the United Nations Volunteers ($23.2 million in 2014) for the provision of personnel to support operations. Included under local non-governmental organizations is $42.9 million ($46.5 million in 2014) with partners for fundraising and awareness-raising.

140. The expense through partnerships includes payments of $34.9 million to international partners representing the UNHCR contribution towards projects and headquarters support costs for the monitoring, administration and oversight of projects implemented in the field. The contribution is not expected to cover the full cost of the international partners' headquarters support costs.

141. Implementing partnership expenses by rights group across pillars are shown in the table below:

Table 6.1.2

(Thousands of United States dollars)

Rights group	*Global refugee programme*	*Global stateless programme*	*Global reintegration projects*	*Internally displaced persons projects*	*Total expenses*	
					2015	*2014*
Basic needs and essential services	455 657	446	14 381	96 547	567 031	623 578
Community empowerment and self-reliance	81 104	268	7 568	19 248	108 187	122 709
Durable solutions	28 917	2 601	6 177	6 406	44 100	44 936
Fair protection processes and documentation	74 034	2 075	7	3 601	79 717	74 587
Favourable protection environment	33 023	1 593	2 956	15 952	53 524	43 253
Headquarters and regional support	81 021	294	–	–	81 315	81 464
Leadership, coordination and partnerships	17 656	9	136	14 122	31 923	26 529
Logistics and operations support	124 227	607	5 239	15 637	145 710	140 315
Security from violence and exploitation	48 352	1	1 081	18 299	67 734	63 159
Expenses reported by implementing partners against current-year agreements	**943 991**	**7 894**	**37 545**	**189 811**	**1 179 241**	**1 220 530**
Outstanding reports	23 984	524	2 644	4 043	31 194	31 483
Expense incurred against prior-year agreements	29 537	(29)	551	20 337	50 396	96 057
Total expense	**997 512**	**8 389**	**40 739**	**214 192**	**1 260 832**	**1 348 070**

142. The total amount of funds recovered from implementing partners in 2015 for unjustified expenses was $1.5 million ($0.9 million in 2014). These were determined during the UNHCR review of audit reports of projects implemented by partners.

143. Interest and miscellaneous revenue amounting to $1.3 million ($1.6 million in 2014) were received from implementing partners for the year. Furthermore, a total of $0.012 million ($0.2 million in 2014) was written off during 2015 against amounts receivable from the implementing partners.

6.2 Salaries and employee benefits

(Thousands of United States dollars)

	2015	*2014*
Salary	452 151	435 480
Pension	95 094	89 868
Allowances	72 370	67 410
Temporary assistance	40 659	44 742
Medical insurance — current	22 590	21 446
After-service health insurance	42 217	34 008
Reassignment	27 718	23 492
Education grant	25 862	23 863
Termination	5 129	5 283
Evacuation	6 838	7 496
Repatriation grant	6 554	6 217
Appointment	8 734	6 496
Reimbursement of income tax	4 324	5 634
Home leave	1 538	2 177
Annual leave accrual	(884)	3 297
Actuarial (gain)/loss on repatriation liability	(9 107)	7 856
Other personnel costs	11 155	10 776
Total salaries and employee benefits	**812 942**	**795 541**

144. After-service health insurance and repatriation grant include only the annual service cost and interest expenses. For comparability, 2014 expenses pertaining to the benefits paid out on the retirees' claims ($4.6 million credit) have been reclassified from after-service medical insurance to medical insurance — current. Similarly, 2014 expenses pertaining to repatriation benefits payment ($3.7 million credit) have been reclassified to termination expense.

6.3 Contractual services

(Thousands of United States dollars)

	2015	*2014*
Transport	44 412	49 846
Construction	17 111	23 067
Joint United Nations activities	27 663	23 975
Professional services	12 962	10 973
External resource assistance	10 880	13 799
Advertising	22 748	20 802
Marketing and data processing	18 169	15 718
Seminars	8 192	7 784
Other services	46 236	59 003
Total contractual services	**208 373**	**224 967**

145. Other services include various specialized services of a technical, analytical, and operational nature provided through contractual arrangements. They included $20.7 million in health administration services in Lebanon for persons of concern in 2015 ($22.2 million in 2014).

6.4 Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2015	*2014*
Distributed from inventory		
Tents	33 547	37 641
Bedding materials	104 835	156 894
Household items	79 157	77 327
Medical, hygienic supplies and apparel	71 362	77 151
Construction and related equipment materials	17 347	18 623
Food and other supplies	6 023	10 505
Material consumables	6 097	895
Total distributed from inventory	**318 368**	**379 036**
Distributed from supplies and other consumables		
Other supplies	26 105	33 805
Total supplies and consumables for beneficiaries	**344 473**	**412 841**

146. Other supplies include the expenses pertaining to consumable items that are not considered inventory. These include medical items ($14.6 million) and fuel coupons ($1.6 million) distributed to beneficiaries.

6.5 Operating expenses

(Thousands of United States dollars)

	2015	*2014 (restated)*
Maintenance	58 656	60 919
Rental of premises	50 683	46 672
Communications	28 950	27 961
Equipment	17 880	24 137
Utilities	10 728	13 988
Vehicles	798	980
Insurance	2 469	9 640
Bank charges	2 689	2 366
Other operating expenses	7 923	6 558
Total operating expenses	**180 776**	**193 221**

147. Expenses recognized under equipment and vehicles represent the purchase of items below the capitalization threshold of $10,000. They also include property, plant and equipment assets transferred to implementing partners and government counterparts during the year in the amount of $5.6 million ($18.1 million in 2014).

6.6 Individual and family payments to beneficiaries

(Thousands of United States dollars)

	2015	*2014*
Subsistence allowance	160 627	107 811
Grants	15 886	7 401
Medical treatment	32 796	1 738
Travel allowance	428	486
Other payments	4 910	6 618
Total individual and family payments to beneficiaries	**214 647**	**124 054**

148. Direct cash assistance to beneficiaries increased significantly in the locations responding to the Syrian situation in 2015. Subsistence allowance payments increased by $42.8 million in Lebanon and $7.4 million in Jordan. Medical treatment payments increased by $29.8 million in Lebanon.

6.7 Equipment and office supplies

(Thousands of United States dollars)

	2015	2014
Computer equipment	19 335	17 503
Communications equipment	10 222	10 889
Security and safety equipment	2 094	2 456
Furniture and fixtures	3 725	4 441
General office supplies	17 035	13 939
Total office supplies	**52 411**	**49 228**

149. Expenses recognized under equipment and furniture and fixtures represent the purchase of items below the capitalization threshold of $10,000.

6.8 Depreciation, amortization and impairmen[t]

(Thousands of United States dollars)

	2015	2014 (restated)
Depreciation of property, plant and equipment	42 083	37 228
Impairment of property, plant and equipment	230	1 848
Amortization of intangible assets	2 096	1 035
Impairment of intangible assets	–	2 661
Total depreciation, amortization and impairment	**44 409**	**42 772**

6.9 Foreign exchange gains and losses

(Thousands of United States dollars)

	2015	2014
Unrealized (gain)/loss	(998)	69 438
Realized (gain)/loss	41 892	(5 302)
Total foreign exchange gains and losses	**40 894**	**64 136**

6.10 Other expenses

(Thousands of United States dollars)

	2015	*2014 (restated)*
Bad debt expense	12 909	6 312
Training	5 759	5 514
Inventory obsolescence expense	(11 885)	(2 047)
Miscellaneous expenses	18 300	(3 671)
Total other expenses	**25 083**	**6 108**

150. Bad debt expense increased owing to higher allowances on multi-year pledges.

151. Inventory obsolescence expense includes the allowance made for inventory items that are aged beyond their standard shelf life. To be consistent with operational practices, the estimates for the items that are considered slow-moving are no longer included in the inventory obsolescence provision, resulting in a reduction in the expense in 2015.

152. Miscellaneous expenses increased owing primarily to the reversal of the recognition of the fair value of assets held for sale for $12.9 million, and increased expenses on hub contracting and vehicle tracing amounting to $3.6 million ($0.8 million in 2014).

Note 7
Statement of comparison of budget and actual amounts

153. As required by IPSAS 24: Presentation of budget information in financial statements, reconciliation is provided between the actual amounts on a comparable basis, as presented in statement V, and the actual amounts, as shown in the financial accounts identifying separately any basis, timing and entity differences which are described below:

(a) **Basis differences**: the budget of UNHCR is formulated on a modified cash basis and the financial statements are prepared on an accrual basis, thereby giving rise to a basis difference;

(b) **Timing difference** occurs when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNHCR for the purpose of comparison between budgets and actual amounts;

(c) **Entity differences** occur when the budget does not include programmes or entities that are part of the main entity for which the financial statements are prepared. In UNHCR, the budget does not include activities relating to the Working Capital and Guarantee Fund, and the Medical Insurance Plan;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an

operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

154. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of financial performance (statement II) for the year ended 31 December 2015 is presented below:

(Thousands of United States dollars)

	2015	*2014 (restated)*
Actual amount on comparable basis (statement V)	**3 294 815**	**3 355 409**
Basis differences		
Property, plant and equipment, and intangible assets	(26 779)	(44 888)
Depreciation, amortization and impairment of property, plant and equipment, and intangible assets	44 409	42 772
Inventory	22 345	(16 321)
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(69 251)	(83 365)
Implementing partner expenditure	20 374	53 211
Employee benefits funding	(11 415)	(10 937)
Elimination of inter-segment expenses	(30 173)	(25 907)
Implementing partnership refunds and adjustments for prior-year projects	(39 413)	(29 222)
Bad debt expense	12 909	6 312
Inventory obsolescence	(11 886)	(2 047)
Other	(7 134)	(700)
Total basis differences	**(96 014)**	**(111 092)**
Entity differences		
Working Capital and Guarantee Fund	43 583	66 502
Medical Insurance Plan	7 114	6 571
Staff Benefits Fund	29 374	43 104
Total entity differences	**80 071**	**116 177**
Actual amount in the statement of financial performance (statement II)	**3 278 872**	**3 360 494**

155. Explanations of material differences between the original budget and the final budget and the actual amounts are presented under the programme budget performance highlights (sect. D) of the financial report.

Note 8
Segment reporting

8.1 Statement of financial position by segment as at 31 December 2015

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Inter-segment*	*Total*
Assets					
Cash and cash equivalents	764 659	128 289	49 926	–	942 874
Investment	51 791	12 304	85 905	–	150 000
Contributions receivable	803 735	5 389	–	–	809 124
Inventories	125 464	55 274	–	–	180 738
Property, plant and equipment	120 000	26 234	–	–	146 234
Intangible assets	8 284	1 889	–	–	10 173
Other assets	64 372	11 795	76	–	76 243
Total assets	**1 938 305**	**241 174**	**135 907**	**–**	**2 315 386**
Liabilities					
Accounts payable and accruals	121 195	32 481	28	–	153 704
Employee benefits	8 765	1 475	691 665	–	701 905
Provisions	1 241	258	–	–	1 499
Other liabilities	1 772	358	–	–	2 130
Total liabilities	**132 973**	**34 572**	**691 693**	**–**	**859 238**
Net assets	**1 805 332**	**206 602**	**(555 786)**	**–**	**1 456 148**
Fund balances and reserves					
Accumulated fund balances and reserves	1 805 332	206 602	–	–	2 011 934
Working Capital and Guarantee Fund	–	–	50 000	–	50 000
Medical Insurance Plan	–	–	36 596	–	36 596
Staff Benefits Fund	–	–	(642 382)	–	(642 382)
Total fund balances and reserves	**1 805 332**	**206 602**	**(555 786)**	**–**	**1 456 148**

Note 8.2
Statement of financial performance by segment for the year ended 31 December 2015

(Thousands of United States dollars)

	Programmes	*Projects*	*Special funds and accounts*	*Inter-segment*	*Total*
Revenue					
Voluntary contribution	3 128 619	385 698	–	–	3 514 317
United Nations regular budget	48 644	–	–	–	48 644
Transfers	(278 023)	278 023	–	–	–
Interest revenue	554	–	1 251	–	1 805
Other revenue	42 554	2	5 192	(30 173)	17 575
Total revenue	**2 942 348**	**663 723**	**6 443**	**(30 173)**	**3 582 341**
Expenses					
Implementing partner expenses	1 006 174	254 658	–	–	1 260 832
Salaries and employee benefits	673 266	107 523	36 184	(4 031)	812 942
Contractual services	179 492	28 875	6	–	208 373
Supplies and consumables for beneficiaries	174 098	170 210	165	–	344 473
Operating expenses	152 107	25 956	2 713	–	180 776
Individual and family payments to beneficiaries	211 793	2 854	–	–	214 647
Equipment and office supplies	45 939	6 468	4	–	52 411
Travel expense	42 820	5 991	95	–	48 906
Fuels and lubricants	25 626	3 389	–	–	29 015
Consultants	14 734	1 377	–	–	16 111
Depreciation, amortization and impairment	38 978	5 431	–	–	44 409
Foreign exchange (gains)/losses	–	–	40 894	–	40 894
Other expenses	49 884	1 332	9	(26 142)	25 083
Total expenses	**2 614 911**	**614 064**	**80 070**	**(30 173)**	**3 278 872**
Surplus/(deficit) for the year	**327 437**	**49 659**	**(73 627)**	**–**	**303 469**

156. Some internal activities lead to accounting transactions that create inter-segment revenue and expense in the financial statements. The organization's share of medical insurance premiums in respect of the Medical Insurance Plan created inter-segment balances in 2015 amounting to $4.0 million ($7.6 million in 2014) and the vehicle rental mechanism under global fleet management created $26.1 million in inter-segment balances in 2015.

157. Contributions for operations and other activities are recognized as revenue when these contributions are confirmed in writing. Expenses are incurred gradually over time according to operational needs and requirements.

158. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and broadly earmarked contributions are initially recorded under pillar 1 (global refugee programme) and are subsequently transferred to other

pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements.

Note 9
Commitments and contingencies

9.1 Leases

159. Obligations for operating leases are as follows:

(Thousands of United States dollars)

	2015	*2014*
Obligations for operating leases		
Under 1 year	16 968	21 011
1-5 years	22 667	10 248
Beyond 5 years	3 357	30
Total obligations for operating leases	**42 992**	**31 289**

160. As at 31 December 2015 and 2014, UNHCR did not have any finance leases.

9.2 Commitments

161. At 31 December 2015, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

(Thousands of United States dollars)

	2015	*2014*
Inventory	132 066	114 143
Supplies	27 313	31 745
Property, plant and equipment	24 578	38 780
Services	39 909	46 325
Instalments due against partnership agreements	21 060	52 090
Operating expenses	24 010	32 566
Consultants	1 528	1 604
Cash assistance to beneficiaries	68 685	–
Other commitments	2 538	3 058
Total open commitments	**341 687**	**320 311**

162. Cash assistance to beneficiaries reflects commitments for the cash payments due early 2016 in locations responding to the situation in the Syrian situation.

163. Commitments are not recognized as expenses in the statement of financial performance (statement II) on the basis of IPSAS 1: Presentation of financial

statements, and on the basis of the delivery principle. Such commitments will be settled from the unexpended portion of contributions after receipt of the related goods and services.

9.3 Legal or contingent liabilities

164. As at 31 December 2015, there were 91 outstanding cases relating to various claims from staff members or former staff members. None of these cases are resolved. Among them are two pending United Nations Dispute Tribunal judgments against UNHCR with a total financial compensation amounting to approximately $40,000. Furthermore, there are 18 unresolved third party claims against UNHCR, amounting to $12.1 million. The total cost, should the unresolved appeals and claims be decided against UNHCR, is therefore estimated to be $12.1 million.

165. UNHCR has provided a security deposit of $32,828 for office rent. The deposit is in the form of an irrevocable standby letter of credit.

Note 10
Losses, ex gratia payments and write-offs

166. UNHCR financial rule 10.5 provides that ex gratia payments may be approved by the Controller for an amount not exceeding $5,000, when such payments are considered desirable in the interest of the organization. Ex gratia payments in excess of $5,000 require the approval of the High Commissioner. A statement of ex gratia payments was submitted to the Board of Auditors and to the Executive Committee with the financial statements. For 2015, four ex gratia cases were approved by the High Commissioner, totalling $65,627.

167. Financial rule 10.6 provides that write-offs up to $10,000 due to the loss of cash or of the book value of accounts receivable may be authorized by the Controller, while the write-off of amounts in excess of $10,000 requires the approval of the High Commissioner. A statement of all amounts written off was submitted to the Board of Auditors. During 2015, cash losses, irrecoverable contributions receivable and other current assets, including amounts due from implementing partners, resulted in write-offs amounting to $5.6 million ($5.5 million in 2014).

168. In 2015, 12 fraud cases (11 cases in 2014) were reported, with a total amount of $0.2 million ($0.1 million in 2014), including embezzlement of the organization's funds, falsification of invoices or submission by staff of fraudulent claims for insurance or various entitlements. As at the end of the year, there were also 18 cases (23 cases in 2014) of presumptive fraud for which investigations are ongoing and their value will be reported, as appropriate, once the determination is concluded.

Note 11
Related party disclosures

169. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

(Thousands of United States dollars)

	Number of posts filled	*Compensation and post adjustments*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
Key management personnel, 2015	5	1 244	457	255	1 956	–	–
Key management personnel, 2014	4	1 052	59	213	1 324	–	–

170. The table above summarizes aggregate remuneration paid to key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

171. Key management personnel also qualify for post-employment benefits at the same level as other employees. These benefits cannot be reliably quantified. They are also ordinary participants in the Pension Fund.

172. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12
Events after the reporting date

173. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. On the date of signing these financial statements, there have been no material events, favourable or unfavourable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted the present statements.

174. The financial statements were approved for issue on the date on which the Board of Auditors signed the audit opinion. None other than UNHCR has the authority to amend these financial statements.